UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

SYNCPOINT IMAGING, LLC	DOCKET NO. 2:15CV247
VS.	OCTOBER 30, 2015
NINTENDO OF AMERICA, INC., ET AL	9:05 A.M. MARSHALL, TEXAS

VOLUME 1 OF 1, PAGES 1 THROUGH 132

REPORTER'S TRANSCRIPT OF CLAIM CONSTRUCTION HEARING AND MOTIONS HEARING

BEFORE THE HONORABLE ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

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(OPEN COURT, ALL PARTIES PRESENT.)

THE COURT: For the record, we're here for the Claim Construction Hearing in *SyncPoint Imaging versus Nintendo, et al*, which is Case No. 2:15-247 on our docket.

09:05AM

Would counsel state their appearances for the record.

MS. DERIEUX: Elizabeth DeRieux on behalf of the plaintiff, your Honor. With me this morning is Joe Pia, Robert Aycock, Sandy Seth; and we are ready to proceed.

09:06AM

THE COURT: All right. Thank you, Ms. DeRieux.

MR. SIEBMAN: Your Honor.

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THE COURT: Mr. Siebman.

MR. SIEBMAN: Good morning. How are you doing this morning, your Honor?

Your Honor, I'm here, Clyde Siebman for Nintendo. Also with me is lead counsel Grant Kinsel; and also with Grant and I, we have with us from Japan -- Nintendo Japan, we have with us Oshizawa with legal in Japan. We also have with us as in-house counsel Kris Kiel with -- out of Seattle. And then also, your Honor, we have with us Kyle Amborn with Perkins Coie as well.

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THE COURT: All right. Thank you,

Mr. Siebman.

MS. HENRY: Good morning, your Honor. Claire Henry on behalf of Defendant PixArt. With me today is Duane Mathiowetz and Rick Chang. Also on behalf of PixArt, Charlie Chang and Enzo Ko. We are ready to proceed.

09:07AM

THE COURT: Thank you, Ms. Henry.

All right. Let me also state for the record that earlier this morning we distributed to counsel for both sides a set of preliminary constructions. Those constructions are designed to let the parties know where the court is after the initial review of the briefing and the record. They're not intended to prevent any party from taking any position that they think is appropriate but, rather, to allow you to focus your time and attention where you think is most appropriate based on a review of those preliminary constructions and where you think the court may have most missed the boat.

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I do reserve the right to and not uncommonly do revise those constructions based on the arguments received at the hearing. I hope that you'll take those constructions in that spirit.

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I've also reviewed the technical tutorial that was provided in this case. I'll state that I'm happy to consider any initial presentation or argument that any

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party has on the patents or the technology and then I'd like to hear the argument on the terms on a term-by-term basis, but you should feel free to group those terms in any order that you think is most efficient and most productive. So, having said that, I'll turn it over first to counsel for plaintiff.

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MR. PIA: Thank you, your Honor. Would you like us to start then with the Markman terms or with the procedural matters that are before the court this morning?

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THE COURT: I would rather take up the claim construction issues first and then turn to the motions afterwards.

MR. PIA: Thank you for this opportunity to talk about what's now known as the '214 patent, an invention created by Karl Hansen. The way that we were planning to take these claim terms is essentially in the order of the brief -- or of the tentative that was provided by the court. And thank you for that. We'll try to focus our attention on those key issues that are raised in that Markman preliminary order.

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The first is "external cursor" and "internal cursor." These two terms have a relationship. The '214 patent describes an internal cursor and an external cursor. The parties also agree that an external cursor

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can be described as an "optical cursor" and that those terms are used interchangeably throughout the patent.

We're all aware of what an internal cursor is. We use them every day on our computers. It's commonplace. We control the computer. We operate various functions. We know where we are on the computer screen.

However, an external cursor is a brand-new term. It's a term that you don't find in any dictionary definition. It's a term that's not found in other patents, and it's a novel way that the inventor determined to describe his invention. And in using the term "external cursor," he drew an analogy between external cursor and internal cursor; and essentially that analogy is that both represent position and both are movable in their distinct ways.

If we look at claim 1, it helps to show the relationship. We're looking now at the first limitation and second limitation, "detecting at least one property of an external cursor and position of the external cursor relative to the output from the computer," "generating a command to move the internal cursor." So, we understand that the external cursor represents position and is used to move the internal cursor, among doing other things.

Just as a general overview, Figure 1, as we

get into this more, shows a laser pointer light on a screen being reflected. We also see the output from the computer which is being projected through a projector onto the screen, and we can see that that output is
09:12AM outlined in blue on the computer as well as on that screen. There's a computer itself with a computer processor; and then there's a camera that's capturing an image and detecting light coming from, in this case, a laser pointer.

09:12AM Now, the patent describes this as an exemplary method and it describes it as one embodiment and then it goes on to describe this particular embodiment. But there's nothing in the patent that would restrict the entire invention to that one embodiment. In fact, the
09:12AM inventor explained that the projector and the camera and the screen can be stationary and remain substantially fixed to facilitate calibration. However -- and this is the second part -- the present invention could also be used in applications where one or more of these devices
09:13AM changes position, although detection of the properties of external cursor becomes more complex and computationally intensive.

So, what was the patentee describing there? Well, as you can see, there's a yellow tripod underneath
09:13AM the camera in the first embodiment; but that tripod could

move. In fact, the laser pointer could be fixed and the camera could move or the camera could be fixed and again the laser pointer moved, directed at the camera, or you could have a combination of movement between the
09:13AM different devices. All that happens there, if we go back, is that detection of the properties of the external cursor become more complex and computationally intensive. But these variations are contemplated.

Here, just some screens. We're all aware of
09:14AM different types of screens and output from a computer. Different types of camera. Although one camera is shown in that figure, we understand it's a generic placeholder for these other types of cameras. And there are various types of light sources. We're all aware of laser point
09:14AM light, but there can be infrared light sources and other types. So, now to get into really how this invention operates.

In Figures 1 and 2, we see that light from the laser pointer is reflected off of the screen and into the
09:14AM camera; and then inside the camera in Figure 2, we are seeing a capture card. That capture card is described in the patent as -- in one instance as a CCD imaging array. That capture card -- you can see a green outline which represents the outer boundaries of that card -- is
09:15AM capturing the blue boundaries in this instance of the

screen. We're aware when we set up a projector that oftentimes a quadrilateral shape appears on the screen and it takes some time to try to key that in and make the lines as straight as we can. This invention contemplates
09:15AM that the camera and the imaging array itself can offset, through its internal coordinate system, such variations in the length of the sizes and the difference in the angles. And then what it has is a coordinate system on the imaging array. That's shown again in Figure 2.

09:15AM Here's an example of how that imaging array tracks, which is a word that's used throughout the patent, the output from the computer. So, light, in this instance, is reflected off of the screen into the camera's imaging array. That's mapped onto the imaging
09:15AM array in X,Y coordinates, which is laid out in some substantial math within the patent. My colleague Mr. Seth will talk more about that.

And then where that dot appears on the imaging array and other properties of the dot are then translated
09:16AM to a corresponding position of the internal cursor on the computer output, which that computer output also has its own coordinate system and those two coordinate systems correspond.

Now, here's one example of how this could
09:16AM work. For example, we see a light from a laser being

reflected off of the screen and into the camera and we can see in this blowup of the imaging array to the left of the camera that that creates a dot and a mark on the camera's imaging array that corresponds also to the
09:16AM projected image. When that dot is moved, in this case from left to right, we can see that the coordinates on the imaging array also change. That's what's described in Figure 2 and in the patent.

A motion can be generated by moving the
09:17AM external cursor light in a certain pattern; and when that happens, a command can be generated. So, we're seeing two things. We're seeing the movement of position of that cursor on the imaging array, and then we're seeing that movement in a pattern generates a command.

09:17AM So, if we look back at plaintiff's construction and defendants' construction, defendants' construction breaks the term "external cursor" into four parts: "A visual cue," "to a user," "on the screen," "generated by some device other than the computer." What
09:17AM I will say is there's no dispute with the fourth item. Both parties agree that the external cursor is generated by some device other than the computer. We don't think it necessarily needs to be embedded in the construction, but there's not a disagreement on that.

09:18AM The big disagreement is "visual cue" and, 3,

"on the screen." And we notice in the court's tentative that it has tentatively said that an external cursor is a movable visible mark; and then it says "indicates a position on the display," which might be equivalent for
09:18AM "on the screen" or the same. So, let's talk about these.

The first disputed limitation is "visual cue." The key in the patent is detecting and tracking. In fact, "visual" or "visible" is only used twice in the patent; but what is used throughout the patent is this
09:18AM idea of optics. We see in the title of the patent "Computer Presentation System and Method with Optical Tracking of Wireless Pointer"; Abstract, "optical pointer," "optical tracking"; column 1:9, "wireless optical pointer," "optical pointer" and you can see
09:19AM throughout "optical pointer, such as a laser pointer"; "screen is accessible via an optical pointer"; "preferably, the external cursor is an optical cursor."

In claim 8, down at the bottom, Line No. 10, claim 8 specifically says "directed optical energy,"
09:19AM rather than "laser light" or "laser pointer," which would be easy for the inventor to use because he had used that term in other places throughout the patent. But he makes a distinction and says "directed optical energy."

Claim 19, it talks about an "optical cursor."
09:19AM Again, the parties don't dispute that external cursor is

the same -- has the same meaning as optical cursor.

And "optics," as we point out in our brief, if we look at a definition -- on the definition, includes the "visible spectrum" and the "near visible spectrum of light." We're all very much aware of infrared light and ultraviolet light. For example, every day we use a television remote control; and nine times out of ten, that television remote is using infrared light. It's commonly known and understood.

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When the defendants' expert was asked questions about optics and what does "optical" refer to, he was pointed to those definitions that we just looked at. And then in the bottom, here's the specific question: "Would you agree this definition is saying optics involves both visible light or also near visible light, such as infrared or even ultraviolet?"

09:20AM

And his definitive answer is "Yes. Optics is not limited to visible light."

In the patent itself in the Background section, it describes right up-front a variety of technologies are known, including ultrasonic, infrared, and radio frequency that have been used to afford users increased mobility relative to the computer processor and/or display screen. So, infrared was a form of light energy that was known to this patentee at the time of

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drafting the patent.

And, again, we earlier talked about claim 8, "The method of claim 1 further comprising transmitting the external cursor to the screen using a source of directed optical energy." And we ask the question why was the inventor using the word "optical energy" when he could have very easily used the word "laser pointer"? It's because he was talking about optics. He wasn't trying to limit his invention to a laser pointer. He was using it in a way that somebody in the field of optics would use it.

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And when we look at the properties of the optical cursor or the external cursor in Figure 3, you see there's intensity, color, shape, size, pattern of movement, and position; and note that the only property that's inherently visible is color. The other properties -- intensity, shape, size, pattern of movement, position -- could all be created using infrared light or another form of optical energy. So, we shouldn't restrict every property to having this requirement or being loaded with this requirement that it be visual.

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When defendants' expert Mr. Kitchen was asked the question, "Image processing can be used on infrared light, captured by an imaging array," he had to say, yes,

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in general systems it can.

Now, he went on to say but this patent is different. He didn't really give a lot of explanation why. But it's known in the art that light, any type of
09:22AM light in the infrared or visible spectrum or near visible spectrum, can be captured and detected on an imaging array.

Throughout the patent it talks about optical tracking, not visible tracking. We don't see the word
09:22AM "visible tracking" anywhere in the patent -- "Computer Presentation System and Method With Optical Tracking," "optical tracking and synchronizing a wireless optical pointer," "a still further object of the present invention is to provide a system and method for
09:23AM connectionless optical tracking," and on and on.

Why didn't the inventor use the word "visible"? Because that's not the field with which he was concerned, and the system itself doesn't make a distinction between what's visible and what's optically
09:23AM detected. The only thing that matters for functionality of this system is that there is light that's optically detected on the camera, the imaging array.

And when we look at claim 1, which we'll keep going back to, there's nothing in claim 1 itself that
09:23AM would restrict the light -- the type of light to be

visible light.

THE COURT: Do you agree that this embodiment, the -- at least the embodiment that is disclosed here, functions based on the user's ability to see where the external cursor is pointing?

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MR. PIA: In fact, it doesn't. And, so, the patent doesn't talk about "to a user" anywhere. Whether the user sees the light --

THE COURT: I mean, the patent may not talk about a user; but it contemplates that there is a user, right?

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MR. PIA: There are user-selected properties of the external cursor. That's right.

THE COURT: And this invention is designed to be used by a person, right?

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MR. PIA: It is.

THE COURT: So, what I'm saying is: Does this embodiment -- do you agree that that embodiment requires that the user be able to see where the external cursor -- I mean, where the pointer is pointing, where the external cursor is located?

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MR. PIA: No. And I'll give you a couple of reasons why.

THE COURT: Okay. Tell me about that.

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MR. PIA: So, first, in Figure 1, which is a

preferred embodiment and only one embodiment --

THE COURT: Right.

MR. PIA: -- phantom lines are used to show light emanating from a laser pointer; and then there's a 09:25AM hollow dot on the screen. It's not filled in. And I'll show you an example. I'm just going to skip ahead. Actually this is what I was just saying. It's not filled in. It's not showing that it has to be solid visible light.

09:25AM Here's an example. If infrared light were bounced off the screen like this and reached -- and reflected back into the camera, this system would operate the same as whether there was a laser dot on the screen; and, in fact, it might not be advantageous or desirable 09:25AM to have a laser dot on the screen. It might interfere with the game play or even a presentation. For example, if I'm giving a presentation right now and I can control a cursor inside of that screen -- which I can't. This is a regular laser pointer -- but if I can control an 09:26AM internal cursor and make that move on the screen, I might not want to have two cursors on the screen. I might not want this laser dot plus an internal cursor. I might just want to indicate position on the screen using the internal cursor. And it's a fine distinction, for 09:26AM example, to say that this particular laser pointer that

has visible light is significantly different than if I use the television remote control to point and I had a camera that can detect infrared light in the back of the room. This would function the same.

09:26AM THE COURT: But this system functions based on where the external cursor falls on the screen, right?

MR. PIA: Only in one embodiment. So, let me go back a little bit. See if I can go back to some other slides here.

09:27AM So, in the common example that we're talking about the preferred embodiment, no doubt about it. It's talking about light reflected off of a screen. The patent discusses in depth that you can use a projector screen or you could use an output like a television 09:27AM screen, a dynamic screen. That doesn't matter. You can have an external cursor with two dots or an isosceles triangle or other configurations, other shapes, other properties.

But there's nothing that would preclude, for 09:27AM example, even shining -- taking that light, walking to the front of the room to do your presentation, and moving the camera. We talked about those configurations earlier in the patent. The patentee specifically said there can be other configurations. They might be more 09:27AM computationally intensive, no doubt; but he contemplates

that there could be other --

THE COURT: Is there anything in the specification that suggests this arrangement that you've mentioned with the camera being the moving part?

09:28AM MR. PIA: Well, I think yes, there is a section of the patent that says -- and I'll have to look. I think we had that slide a little earlier -- but says that any one of these components could move. I think that's one of the first slides we talked about. But it

09:28AM just makes computation more difficult.

For example in column 4, lines 8 through 16, it says, "Preferably, projector (when used), camera, and screen are stationary and remain substantially fixed to facilitate the calibration and tracking process.

09:29AM However, the present invention could also be used in applications where one or more of these devices changes position" -- so, he's broadening the way that we look at this patent; they can change position -- "although detection of the properties of external cursor becomes

09:29AM more complex and computationally intensive."

And if we try to restrict this invention to this one preferred embodiment that we look at in Figure 1, then the difficulty we have is we can't make sense of the math that he is outlining in this patent in

09:29AM great detail. He's providing math and an approach that

will allow you to move any one of these components.

And, in fact, cited throughout defendants' brief is this phrase that, as used in the application, (reading) external cursor is one which is generated externally relative to the computer; i.e., by some other device, which could include another computer, projector, or the like. So, the patent -- we all agree the patent talks about a handheld laser pointer in some embodiments, but the patent also says that the external cursor can be generated by another computer or even a projector.

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This is one example of how an external cursor can be generated by another computer, as we start to think about this. There's another example where the external cursor is projected. If you look at that quote from above straight from the patent, external cursor is protected on another screen and it controls an internal cursor.

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Now, why would you want to do this? Well, here's an example. I'm standing at the front of a big presentation. I have 100 people in the audience, and I don't want to stare at the screen. I want to stare at them. So, I use my pointer, whether that's infrared light or visible light, on a screen projection in the back. They can't see; but, meanwhile, I'm controlling this screen up front. The inventor contemplated

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improving methods of presentation, and that's what he talks about.

Another example is you could have a projector in front near the T.V. screen, or the output in this
09:31AM case, projecting an external light directly into the camera. He just -- the key is that the inventor doesn't limit the invention to this one preferred embodiment and he provides language in the specification that would broaden that concept.

09:31AM If we look at claim 2, for example -- we talk now about the defendants' "on the screen" limitation that also appears in a form in this tentative, where the tentative of "external cursor" says (reading) and that indicates a position on the display or the computer
09:32AM output. We have trouble with that additional loading of "external cursor," and here's why.

Claim 2 says, "capturing an image of the screen and the external cursor with a camera." Claim 1 doesn't make that requirement. If we load the term
09:32AM "external cursor" with "on the screen," then it's hard to understand how claim 2 makes sense.

Looking further down in claim 19, independent claim 19, it requires in the second limitation "projecting an optical cursor generated by a handheld
09:32AM pointer on the remotely located screen." No question.

That patent requires that limitation.

And then "capturing an image of at least a portion of the remotely located screen." It also has that limitation. But claim 1 doesn't have that limitation. Claim 2, dependent from claim 1, does.

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Claim 17 is another example where limitations 2 and 3 require "displaying the external cursor on the output" and then "capturing an image of the output."

But why should we limit claim 1 and other claims that don't require that capturing of the output or that the external cursor be reflected on the screen to include that? And the patent doesn't talk about "reflected," by the way. It talks about "detected." There's a difference. Reflected is not a requirement. Detected on the imaging array is a requirement, detected on the camera.

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The patent also doesn't discuss detected by human eye. Doesn't say that anywhere in the patent, that the external cursor is detected by a human eye. What it says is the external cursor is detected by the camera because it's through the camera's imaging array and where that external cursor appears on the coordinate system of that imaging array that a corresponding position is mapped to the internal cursor of the computer screen and also functions are performed.

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One complaint that the defendants have is that the patent says "an object of the invention." It says that over and over and over in the specification. And the defendants cite that for saying an object of the
09:34AM invention is to superimpose a cursor on a screen. But the case law is well-known and understood that just using the word "an object of the invention" is not restricting the claims to that particular object. In fact, the presumption is the reverse. Unless there's a clear and
09:34AM unmistakable disavowal of a certain part of the scope of the claim, the claim should be given its plain language and at the full breadth and scope of the claims.

So, when we look at the defendants' construction, we don't see support requiring, again, for
09:35AM loading necessarily the term "external cursor" with "visual." Visual to who? All it has to be is detected by the camera.

"To a user," the court is absolutely right. User is contemplated, but visual to a user is not
09:35AM contemplated. Detected by a camera is contemplated.

And "on the screen," it's very difficult to make sense of the other claims in this patent if we require "on the screen," as those claim limitations are specifically called out in some but not other claims.
09:35AM THE COURT: When you say that visual to the

user is not contemplated --

MR. PIA: It's not required, is what I meant, your Honor.

THE COURT: And what I am, I guess, struggling for is some indication that in fact invisible to the user is contemplated. I understand there are places where there is broad language that says "or something else"; but what -- where is there something that contemplates that the external cursor, unlike the internal cursor, will not be visible to the user?

MR. PIA: I'm just trying to go fast backtracking here, but I should probably have my help over here.

I just wanted to go back to the beginning. Maybe you could help me find the slide where in the Background section of the patent the inventor describes an understanding of infrared light. And I'll see if I can just find that specific citation right now.

This is in column 1, the second sentence -- this was omnipresent when the inventor was assisting in the preparation of his patent -- "A variety of technologies including ultrasonic, infrared, and radio frequency have been used to afford users increased mobility relative to the computer processor and/or display screen. These technologies typically employ

custom transmitters/receivers to communicate control and status information between the user and the computer which may be used to control the computer." That is the context in which we now get into the term "optical cursor" and "external cursor." The patentee easily could have called the external cursor "external cursor" throughout the entire patent, but he didn't. He said "optical cursor." And then later in claim 8, he says "optical energy." He doesn't say "visible light." That's just as easy for him to do. He's talking about the field of optics. So, that's our argument on that, your Honor.

Just with respect to -- are there any more questions on that particular issue that I can assist with?

THE COURT: No. I think you've stated your position well.

MR. PIA: Thank you, your Honor.

Just two comments quickly on "internal cursor." Again, the parties generally agree what is an internal cursor. We just wanted to point out that there are instances when even an internal cursor is not visible. We're all aware of those instances. For example, we have a *Word* document open and we're typing a sentence and then we move the cursor around to point to

something else and we start typing again. That cursor which is the triangular-shaped arrow in the middle of that screen disappears when we start typing. It's not gone to the system. It's very much known that the output has a coordinate system and that internal cursor is still there. It's just not visible.

09:38AM

So, to require that an internal cursor be visible all the time just adds a limitation that might not always be true, first of all; and it's not commonly understood by the meaning of the term "cursor." We know that -- if you have two screens open on a computer, you might see your cursor on one screen. That doesn't mean the cursor on the other *Word* document you're working on is gone. You don't see it. It's still there. It's known to the system. And there are various types of internal cursor. We're aware that they can be any shape or size.

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Any questions on "internal cursor"?

THE COURT: But do you dispute that the function of the internal cursor requires that it be visible?

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MR. PIA: Well, no, not always because if that were the function, then when we commonly use a cursor, the cursor would always be visible; but it's not. At times it certainly is visible.

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THE COURT: When it's being used, it's visible.

MR. PIA: When it's being used, it's visible; and when it's not being used, it's not visible. Most of the time. Commonly.

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THE COURT: Okay. So, you're not disputing that the function of an internal cursor requires that it be visible.

MR. PIA: When used. When used.

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THE COURT: Okay. All right.

MR. PIA: I'd just hate for a situation where we say that, well, somebody is not using the internal cursor and, therefore, that falls outside this claim. I don't see anything in the claim language that requires

09:40AM

that the internal cursor be always visible. It's just not there in the claim language.

Anything else, your Honor, on those two?

THE COURT: No.

MR. PIA: Thank you very much.

09:40AM

THE COURT: Thank you, Mr. Pia.

MR. KINSEL: Good morning, your Honor. Grant Kinsel for Nintendo.

THE COURT: Good morning.

MR. KINSEL: Your Honor, I'll start off, if I

09:41AM

may, where the court was last questioning to Mr. Pia.

And I think the point that the court was making is really pretty germane to what we're talking about here. What I think the court's basic concern is why would an inventor use a word "cursor" as an internal cursor and external
09:41AM cursor where that same word would indicate that in one case it's potentially invisible, in the external case, and in the other case be visible. And the answer is he didn't. He used the word "cursor" because everybody knows what a cursor is. They're visible. That's what
09:41AM they are. That's the common and ordinary understanding of what a cursor is.

And, so, when the inventor used the word "external cursor" and "internal cursor," he was merely distinguishing between the types of devices that generate
09:42AM this cursor. He wasn't saying that an external cursor has properties unknown to an internal cursor. He was merely saying that an external cursor is generated by a device external to the computer and an internal cursor is generated by the cursor itself. And all of this simply
09:42AM falls out directly from the claim language, from the specification, and from the common, ordinary meaning of the words.

We've seen a lot of examples about moving cameras and invisible cursors and things of that nature.
09:42AM None of that is described in the specification. There's

not a single embodiment described anywhere in the specification that describes an invisible external cursor. Not one example in the specification.

So, if I may, I'm going to go back through a little bit of this. And I'd like to begin with just a very quick description, if I can, of the technology of the system just to give us some context for what we're talking about.

This is Figure 1. And what the specification described, the way the system works -- and this is of course the preferred embodiment -- is 24 -- No. 24, Reference No. 24 is a laser pointer. It points to the screen. No. 22 is the external cursor. That's the light dot from the laser pointer, and it's an external cursor. The patent describes common, ordinary laser pointers to do this job. The patent describes a standard camera taking visible light images of a visible screen, sending those pictures to the computer. The computer then processes those pictures, figures out where that light dot is in the picture, and moves -- we've got a little finger here to indicate the internal cursor. That's the internal cursor. And it just simply moves the internal cursor to where the external cursor is. That's what this system -- that's what the inventor invented. He didn't invent anything about these tennis systems like the ones

that you saw in the plaintiff's presentation. None of that is in the patent. What's in the patent is this.

Now, there is another facet to this invention; and that is that the system can detect different properties of this external cursor. So, for example, the specification describes changing the color of the laser from -- for instance, from red to blue, using a visible light camera to detect that different property and then using that user-selected property, in this case a blue light instead of a red light, to enter some kind of a command. That's what the invention is about. That's what's described in the specification.

So, with that understanding, let me talk now about why an external cursor is visible. The court's construction or preliminary construction from that point of view we believe to be correct, and let me describe why it's correct.

The specification expressly defines what an external cursor is. There's no guesswork here. The specification says, as clearly as it possibly can, "As used in this application, an external cursor is one which is generated externally relative to the computer, i.e., generated by some other device which could include another computer, projector, or the like." That's the definition of an external cursor. We don't need to guess

what the construction should be. He's told us what the construction is.

So, let me just focus for a second on this word "one." "One" is a pronoun. It stands for the word 09:46AM "cursor." So, what he's told us in this sentence, in as unambiguous description as I think that one can do, is "As used in the application, an external cursor is a cursor which is generated externally relative to the computer." And that's the basis for the defendants' 09:46AM construction, because the specification tells us what an external cursor is.

Now, the specification also adopts expressly the common and ordinary meaning of the word "cursor." The specification says, in the very first reference to 09:47AM the word "cursor," that a cursor is a visible cue on a computer screen. That's what a cursor is, and that's what we all know a cursor to be. And that's I think what was at the root of the court's question a few moments ago to Mr. Pia. Everyone knows that a cursor is a visible 09:47AM cue to a user on a screen. That's what it is.

And, in fact, the dictionary definitions are all consistent. So, this is a dictionary definition that was submitted actually by SyncPoint. It's the Merriam Webster's definition. It defines a cursor as "a visual 09:47AM cue (as a flashing rectangle) on a video display that

indicates position (as for data entry)." That's what an external cursor is -- or that's what a cursor is.

Now, there is nowhere in the specification or any of the embodiments any description of an invisible cursor; and we know that a cursor, its job is to provide user feedback. So, when we use it for *Word* or we use it to find something on the Internet, we use it for visual feedback. That's what it's for; that's its job.

Dr. Russ agrees that's what its job is. Dr. Russ is SyncPoint's expert. He agrees that that's what its job is. He agrees that -- he was asked: Can you think of any reason to have a cursor other than to provide feedback for a person who is using the computer?

Answer: I can't think of another one offhand, no.

And neither can I because that's what a cursor is. It's a user feedback device. And that's a visual cue to a user on a screen.

So, what do we have? We have the common meaning of cursor. That's a visual cue to a user on the screen. I think the court's construction is fairly close to that; so, I really don't need to quibble with the specific language. I think the court's construction on that point is quite clear and correct. There's an explicit definition in the specification about what an

external cursor is, and it's a cursor that's generated by some device other than the computer. And I think the court's construction is pretty close to that, and I don't think that it needs to be changed really in any material way.

09:49AM

A couple of quick points. Mr. Pia described how the system could use invisible cursors, invisible external cursors, but there is not a single reference to an invisible external cursor in the specification. So, Figure 1 describes a laser pointer. That's visible. It describes a standard camera taking visible light pictures. It describes a visible projector sending visible images onto a standard scene.

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The specification also talks about what the picture actually looks like. And this is Figure 2; and what the specification says about Figure 2 is that Figure 2 represents (reading) a captured image frame that includes a substantial portion of the computer output, represented generally by number 42. So, what you've got is a visual picture of the output from the computer, along with 22 which is the external cursor superimposed on that. This is all visual.

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Now, Mr. Pia a couple of times referenced this section in the Background part; and I think it's important to talk about it just for a second. Mr. Pia

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suggested that this reference here to "infrared" suggested that the inventor contemplated using infrared systems. In fact, if you read the entire paragraph, it's the opposite. What actually happened is the inventor taught away from using infrared. So, he says, in the first part that I've highlighted, "A variety of technologies including ultrasonic, infrared, and radio frequency have been used to afford users increased mobility relative to the computer."

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But then he goes on -- and this is the part that Mr. Pia didn't show us -- "Likewise, these systems require complex and often expensive equipment which may not be readily adaptable to different forums having audiences ranging from a few individuals to a filled auditorium."

So, what he's saying is that the infrared systems from the prior art don't do what he wants them to do. He's teaching away from using something like an infrared system, an invisible system; and he actually said that. He says the present invention provides a number of advantages relative to the prior art systems, the infrared prior art systems. One such advantage is that it provides the ability to use a conventional optical pointing device such as a laser pointer. That's what we're talking about here, conventional laser

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pointers.

There is not a single word in the specification that would suggest that the inventor had possession of an invention using an optical pointer that was anything other than visible light. There's not a single word anywhere in the specification to suggest that. Instead, what he's saying is use a conventional optical pointer, which we of course all know are visible.

09:52AM

So, the fact that the specification describes optics and optical pointers and the fact that in its sort of broadest, most technical sense of the word "optical" could potentially include nonvisible light doesn't suggest for a moment that the optical pointer that this inventor was talking about was anything other than a standard, conventional optical pointer.

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In fact, he says -- this is a page from the Brilliant Points website. This is obviously outside the scope of the patent, but I think it's important for context. This is Brilliant Points and Brilliant Points is the inventor's company and this is the inventor talking about his own invention in his own words and here's what he says about what pointers are. He says, "If you can see the pointer, the camera can see the pointer. If the camera can see the pointer, you control your computer." He's talking about conventional laser

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pointers. That's what he was talking about here. That's what he was talking about throughout the specification and in every single embodiment.

Let me talk for a second about this example of
09:54AM the hidden cursors. This came up a second ago with Mr. Pia. He said, "Look, there are some times when you have invisible cursors." So, what I did is I recorded myself while I was writing on two documents. And, so, you see he's right. As you're -- in one document you're
09:54AM using one on one side -- you've got a cursor -- and then the cursor that was formerly on the other side isn't there until you click on it and there it is again and you can continue typing.

What's happening here, what's understood to be
09:54AM happening here is exactly what the court has hinted at. When you're not using a cursor on one of these documents, you don't need it; and, so, it's hidden temporarily until you need it again. It's a little like saying -- if I take this and I stick it in my pocket, you can't see it
09:55AM anymore; and I have now proven the existence of an invisible controller for my computer. It's just simply hidden. The reason one hides a cursor is because it is a visible mark on the screen, exactly as the court's construction has described.

09:55AM Now, I think it would be good to talk just

briefly about SyncPoint's construction because we haven't talked about that; and I won't belabor it because the court has already made its preliminary position clear on this. But SyncPoint's construction is unadoptable as a matter of law. It would be error to adopt this construction, and there's at least three reasons for that.

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First, there is nothing in the specification or the common, ordinary meaning of any of these terms that suggests an imaging array, which is a key part of the SyncPoint construction, "imaging array." "Imaging array" is a term that SyncPoint created. Now, I know that it may be common in the art; but there's no "imaging array" anywhere in the specification. There's no "imaging array" anywhere in this express definition of "external cursor." There's no "imaging array" anywhere in the common and ordinary meaning of the word "cursor." Instead, it's a term that SyncPoint has sort of manufactured for purposes of this litigation. It's not from the specification.

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In fact, SyncPoint suggests that it is; so, this is an excerpt from their brief. They say that (reading) Figure 2 depicts an imaging array 40, and then it goes on and says that Figure 2 shows coordinates of the external cursor 22 relative to an imaging array 40.

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But, in fact, imaging array 40 doesn't exist. What actually the specification describes is that 40, which is from Figure 2, which we looked at a few minutes ago, is a picture. It's not an imaging array.

09:57AM So, "imaging array" doesn't exist in the specification. It doesn't exist in the common and ordinary meaning of any of the words that we're construing.

More to the point, it writes embodiments into 09:57AM the claims that don't exist. So, claim 1 says you detect at least one property of an external cursor and the position of the external cursor relative to the output from the computer. This claim doesn't say how you have to detect it. It doesn't require an imaging array. It 09:57AM doesn't require a camera. It doesn't require a CCD. It requires detecting.

So, under SyncPoint's construction, we now require a physical device that, A, isn't called for anywhere in the specification and, B, hasn't been 09:58AM described in the common and ordinary meaning. So, it's clearly inappropriate.

SyncPoint's construction necessarily is contrary to everything in the specification. So, what the specification describes and what the court's 09:58AM construction captures is that the external cursor exists

out here on the screen; but SyncPoint's construction puts the external cursor inside the camera on the imaging array. So, this is what Dr. Russ said about where the external cursor is.

09:58AM He says, "Okay. Where" -- "So where is the external cursor as reflected in Figure 1?"

"It is on the imaging array for the camera."

"Is there a number associated with that?"

"Well, the camera is number 14."

09:59AM "Okay. So is it your testimony that number 14, the imaging array, 14, is where the external cursor is in this picture?"

"Yes."

"Okay. Is there anywhere else where the

09:59AM external cursor is?"

The answer is "No."

So, SyncPoint's expert says the cursor lives in this camera; and that's directly contrary to what the specification says. The specification says the external

09:59AM cursor lives over here on the screen at 22. That's what it expressly says. So, while the specification says the cursor is here, SyncPoint says the cursor is here and that's wrong and it also results in making the claims into nonsense.

09:59AM So, let's use SyncPoint's construction and

look at some of these claims and how they would work out. Again, under SyncPoint's construction, the cursor is here inside the imaging array on the camera. Claim 1 requires "generating a command to move the internal cursor to a position on the screen corresponding to the position of the external cursor." You can't move the internal cursor to a position corresponding to the position of the external cursor under SyncPoint's construction because the imaging array has the external cursor.

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Same thing with the claim 8, "transmitting," transmitting to the screen. You have to transmit the external cursor to the screen. SyncPoint's construction is the opposite. The external cursor is inside the camera. It's not transmitted anywhere.

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Same thing with claim 17.

I should stop here and just pause for a couple of quick seconds on an argument that SyncPoint has made with respect to the defendants' construction on claim 8. SyncPoint has said, "Well, look, claim 8 says that you have to send the external cursor using directed source optical imaging; and if defendants' construction of 'external cursor' is right, then this claim is not properly differentiated." That seems to be essentially their argument. The problem for SyncPoint, however, is that that's an improper reading of what this claim is

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talking about.

Claim 1 sends an external cursor to the screen; and the specification talks about how an external cursor can be generated by a laser pointer, a camera, a computer, all sorts of different things. You can do them by all sorts of different things. Claim 1 allows you to create that external cursor, generate that external cursor with any of those devices -- camera, computer, projector, any of those other devices -- whereas claim 8 limits it to a directed source of optical energy like a laser pointer. So, that's the limitation of claim 8. It's not that "optical energy" is somehow being differentiated from "external cursor." It's that the device that's generating the cursor is different. It's more narrow in this claim.

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So, for all of those reasons, SyncPoint's construction is simply unadoptable. The defendants' construction, which I think the court's modifications are fine on, I think they're appropriate, is accurate and correct and should be adopted.

THE COURT: Thank you, Mr. Kinsel.

MR. PIA: Your Honor, for the other terms, we are sharing those; and I think any rebuttal comments I would have can be brought up by Mr. Seth who is addressing the next claim limitation, if that's okay with

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the court.

THE COURT: Yes.

MR. PIA: Thank you.

MR. SETH: Your Honor, I detected a number of inaccuracies in Mr. Kinsel's argument. Hopefully we'll be able to address all of these in the presentation.

But I think what we should start with is a little bit of a review of what this patent is about and what this system is about. The court seems to be concerned with the idea that a user of the invention should have some visual feedback. And as Mr. Pia agreed, that visual feedback is going to be provided by the internal cursor, generally speaking, when it's active. And as we see in Figure 1 of the patent, there is an internal cursor. It's not detected by the imaging array of the camera. Doesn't need to be. But it is displayed on the screen, and it is a visual feedback to the user.

The issue becomes whether or not the external cursor also must provide visual feedback to the user. And in the preferred embodiment of the patent, there is a laser pointer that's used and it's directed at the screen and it's reflected off the screen.

Now, the patent says that the -- the patent specifically says that "In one embodiment" -- and I'm at column 3 of the patent, at line 28 -- "In one embodiment,

external cursor is generated by a handheld optical pointer" and then at line 35 it says, "In one preferred embodiment, optical pointer is a laser pointer." And I just want to note that even in the specification it doesn't say that that laser pointer must be visible light. Infrared laser pointers do exist. You can -- in fact, Mr. Pia described that very common back at the day of this patent, a laser pointer -- an infrared laser pointer was your T.V. remote control. You can point it at your T.V., it shoots infrared light, and it's detected by the sensor on the T.V.

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So, even in the preferred embodiment which uses a laser pointer, it's not limited to a visual light laser pointer that's detectable -- or that's visual to a user. What is critical, of course, is that the light is detectable by the camera.

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So, one of the issues that I think has been already resolved by the tentative is whether or not -- well, there are other properties of the external cursor that the camera detects and which are used to generate additional commands. So, the first property that the system will use is the position of the external cursor detected on the imaging array of the camera; and there is a very specific mathematically driven, if you will, approach that the '214 patent teaches regarding how we're

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going to take the position on the imaging coordinate system of the external cursor and then we're going to transfer or translate that to a coordinate position of the internal cursor on the computer output.

10:07AM THE COURT: Well, it's -- I guess it -- we're still talking about the issue of whether the external cursor is visible. I'm struggling to understand -- although know it's certainly possible to have a -- to have the effect of the external cursor not be visible. 10:07AM How does -- is there anything in this specification that indicates that that was contemplated? Because everything else indicates that the user is move -- controlling the external cursor for the purpose of affecting its position or some other property of it. And if the user doesn't 10:08AM know what that is, how is -- how is that -- how does that help carry out the purpose of this system?

MR. SETH: Your Honor, so, with regard to the first part of your question -- and I think I have to refer to Slide 27 of our deck. Throughout the patent, 10:08AM the word "optical" is used to describe the pointer. Okay? And nobody disagrees that optical light includes near visible light. In other words, it's not detectable by me as a human being, by my eye; but it's detectable by the camera. And this is a critical distinction, your 10:09AM Honor, because it is the relative movement of the

external cursor as captured on the imaging array of the camera.

Which, by the way, I just want to point out -- Mr. Kinsel says we don't describe an imaging array in the patent, and we do. It's at column 8, line 12, "An image of the computer output is captured as represented by block 54. Preferably, a camera which includes a CCD array is used in conjunction with an appropriate frame capture card."

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And, your Honor, it -- what's critical is that the user -- you're absolutely correct. The user has to be able to control properties of the external cursor. And why is that important is because the external cursor is an input into the system. It's a control into the system. Okay? The user has to be able to control it. And one of the things that the user has to be able to do is control it -- where is it detected on the imaging array because where it's detected on the imaging array is going to be mathematically transformed. And this is all described in columns 5 through 7. It's going to be mathematically transformed to a corresponding position of the internal cursor that is displayed on the computer, on a screen.

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So, as we move the camera or we move the light source, there's a relative motion that's detected by the

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camera and that relative motion is going to drive the movement of the internal cursor and then also the camera is going to detect other properties which could be a pattern of motion, for example, and those other properties are going to be used to generate other commands. And that was the brilliance of this system. We're not just going to move the internal cursor relative to the position of the external cursor, but we're also going to generate other commands.

10:11AM So, if we can go back to the slide there, please; and we can see that -- you can advance.

So, in claim 1 -- and this is also very critical. There's nothing in claim 1 regarding projecting an external cursor onto a screen. What is 10:11AM critical here is that you're detecting the position of the external cursor relative to the output from the computer.

And we see in Figure 2 of the patent that you see external cursor dot 22. That position on the imaging 10:12AM array is what we're going to need to first figure out. And we have to figure it out relative to the computer output. So, how do we do that?

You're going to see C1 prime, C2 prime, C3 prime, C4 prime. These are four dots, and these are 10:12AM reference coordinates that the system uses to represent

the computer output so that what we can do is when we detect the position of the external cursor on the imaging array, we can then calculate its relative position to one of these reference coordinates. And why we want to do
10:12AM that is we want to say, "Well, you know, we're detecting the external cursor, you know, 10 percent down from C1 prime and, you know, 27 percent over from C1 prime" and we're going to take that proportional measurement and say, "Okay. Well, we're going to go take -- move the
10:13AM internal cursor down 10 percent and over 27 percent." That's what we're doing. And it's just math. It's just math. It's two columns of math. It's very complex math because in this preferred embodiment the inventor wanted to be able to handle all kinds of situations including
10:13AM dynamically moving coordinates. And that's fine. But at the basic level, what you're doing is you're capturing a position of the external cursor, 22, on the imaging array.

And, your Honor, Mr. Kinsel cited Dr. Russ,
10:14AM saying that the external cursor only exists on the imaging array. That's absolutely correct. I mean, the light of the external cursor can exist obviously from the point that it emits from its light source. That light exists. But at what point does it become a control in
10:14AM the system? It does not become an input into the system

until it's actually detected by the camera, processed by the imaging processor and its -- and its properties detected so that they can be used as a control in the system to then do interesting things like play a game.

10:14AM So, it doesn't in fact -- the light exists outside of the imaging array, of course. But when does it become operative in the system? When it's detected by the imaging array and its properties calculated, including a mathematically derived position relative to some

10:15AM reference coordinates that we're going to use to represent computer output.

THE COURT: I understand the way the patent describes that the science works on that. I -- do you agree that there is a definition of "external cursor" in

10:15AM the spec?

MR. SETH: I do, your Honor, 100 percent agree with you. And the only requirement in that definition is that it's generated outside of the computer that's being controlled.

10:15AM THE COURT: So, that is the difference between the external cursor and the internal cursor, is where it's generated.

MR. SETH: That's not the only difference, your Honor.

10:15AM The patent does say that the -- as a

requirement, that the external cursor is generated outside of the computer that's being controlled. That is not the only difference, however.

THE COURT: If the definition says that the external cursor is a cursor generated outside that -- 10:16AM

MR. SETH: Right.

THE COURT: -- where is there an indication that there's another difference?

I mean, the -- perhaps the essence of the internal cursor is that it's visible to the user. How can I conclude that the external cursor doesn't have that feature when the definition says that the difference is where it's generated? 10:16AM

MR. SETH: Your Honor, I would like to perhaps use the defendants' slide on this to answer your question. 10:16AM

THE COURT: All right.

MR. SETH: And I understand what -- the struggle the court is having but -- and if we can go to -- I don't know if we can go to defendants' Slide 7. But I think that the -- 10:17AM

MR. KINSEL: Sure. Give me a second; and I'll put it up for you, if you'd like.

MR. SETH: Thanks. That's fine, 7.

Okay. I understand the struggle that the 10:17AM

court is having and -- but the struggle presumes something that ain't necessarily so, and that is that that definition B applies to the term "cursor" -- okay? -- "a visual cue." It is our position that the movable item used to mark a position is the one common property, if you will, or aspect of the cursor between the internal cursor and the external cursor that have two very different functions within the system.

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And Mr. Kinsel cited to a portion of Dr. Russ' deposition that was talking about the internal cursor being a visual cue. Okay? But the one property that both cursors have in common is that -- and this is very clear through the math of this patent, is that each one is marking the position. Okay? The internal cursor has a position on the display coordinate system. The external cursor has a position on the imaging coordinate system. And we're going to now mathematically tie these two positions together and transform one position to another so that we can use the external cursor as an input to moving the internal cursor. This is the one common characteristic.

THE COURT: What do you say to the portion of the specification under Disclosure of the Invention, column 1, that says "used to superimpose a cursor or visual cue"? I mean, how is that consistent with your

saying that there's no understanding that this cursor is visual?

MR. SETH: I think that that -- well, first of all, the two are used -- the two are used as an alternative in that phrase. I don't think you can say the two are synonymous in that phrase. That's one answer.

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And the second answer is that it is no question that one object of the -- one object of the invention that was achieved through the preferred embodiment -- and I don't think, by the way, it was the -- it was the best mode contemplated by the inventor at the time and he disclosed the best mode that he knew of at the time and that was perhaps to have two visual cues. Okay? But that is not to say that that's the optimal way of practicing the invention, and that is not to say that that's the only way of practicing the invention. And the purpose of the external cursor in the -- even in the preferred embodiment, if -- reading the entire specification, is not to provide a visual cue. It is to provide an input into the system that the user can control. And I can make a circle, your Honor, and a circular pattern of movement. I don't need to see the external cursor to do that.

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THE COURT: I understand if you're playing a

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game, that it -- you may not -- the system may not care that much how accurate the placement of the cursor is because it's a game and there are winners and losers. It's hard for me to take this presentation system and
10:21AM assume that the inventor was not concerned with whether the external cursor would be where the user wanted it to be, and I -- I just -- I think it's quite a stretch to try and build all that into the word "cursor." But, anyway, that's what I'm struggling with.

10:22AM MR. SETH: I sensed this, your Honor; and what I can say to you is that the internal cursor is undisputedly a typical cursor which is typically visually seen. The internal cursor. And it provides the positional feedback in the system already. You don't
10:22AM need additional visual feedback, nor does the specification state that you need additional feedback from the external cursor to know the position of the internal cursor. You already know it. You can already move it to exactly where you want to without seeing the
10:23AM external cursor.

Infrared pointers are not visual. They're --

THE COURT: And, yet, in column 1 he's describing the use of the external cursor; and he refers to it as "a visual cue."

10:23AM MR. SETH: Your Honor, I think that there is a

very good argument that in this preferred embodiment -- and we saw it also in his actual embodiment -- the laser pointer that he used did have visible light, and you had two visual cues. Okay. I thought personally, when I saw it, it was a distraction; but it was the best mode he contemplated at the time. That is not to say, however, that the use of the word "optical" is now limited to the preferred embodiment or that the use of the word "external cursor" is limited to a visual cursor, which is not what the claim language says and it's not what the specification says.

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There is a difference between a preferred embodiment that may have two visual cues, may have visible light of a laser pointer --

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THE COURT: I don't ever restrict the claims to the preferred embodiment. That's something I do not do. But here I've got the word "cursor" which the inventor used.

MR. SETH: Right.

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THE COURT: And I don't see any indication in the specification that he intended that its use with "external" would be different in that essential characteristic than it's used with "internal." And I understand that in terms of the science you can certainly construct it that way, but I don't see any indication

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that he claimed that and -- so...

MR. SETH: Your Honor, I think that the best response to that from the specification standpoint is that he -- I think it was 22 times, when we counted it -- referred to an "optical pointer" or to an "optical cursor." The parties do not disagree that "external cursor" and "optical cursor" are synonymous. Okay? They're synonymous.

THE COURT: The problem is the word "cursor."

MR. SETH: Only if you -- only if you require that the cursor in all cases be a visual cue.

THE COURT: Which is the only cursor that I see any indication of in this specification. I mean, I think it's a serious change to say that we're going to construe his use of "cursor" as something not visible to the user when all of the indications point the other way.

MR. SETH: Your Honor, given the tentative rulings, I'm happy to discuss why other properties don't require -- the other properties that are claimed can be based on position, for example, pattern of movement; but I can see from the initial rulings that that part of the defendants' construction was not adopted. I'm happy to address that if the court wishes.

THE COURT: I don't think you need to. I'm comfortable with that issue.

MR. SETH: Okay. Then -- and I -- likewise, the "instruction" claims and the claims that were asserted to be means-plus-function, that argument was rejected. I'm happy to discuss that as well if the court wishes.

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THE COURT: Well, how about if I just let you respond to any argument that the defendants make?

MR. SETH: Wonderful. Perfect. Thank you.

THE COURT: Thank you.

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And before we move to the next term, we'll take the morning recess. Be back in a few minutes. Thank you.

(Recess, 10:27 a.m. to 10:44 a.m.)

THE COURT: I think we're ready for the next

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term, Mr. Kinsel.

MR. KINSEL: Thank you, your Honor.

With your permission, your Honor, I'd like to move -- to jump ahead a little bit --

THE COURT: That's fine.

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MR. KINSEL: -- to talk about claims 24, 25, and 26. These are all the means-plus-function -- or what we consider to be the means-plus-function limitations. I'm assuming I've already convinced you, but let me give it a shot. I'd like to see if I can. I think that when

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we take a step back and we look at these claims -- and

these really are kind of narrow claims and this is a relatively narrow issue, but it's relatively self-contained. So, let me just try to knock through it real quick.

10:45AM What are we talking about -- let's start with claim 24. It's a "processor in communication with the camera for processing the image to detect" a bunch of stuff.

And the question on the table is whether this 10:45AM claim limitation, a "processor for processing," is effectively a means-plus-function limitation. And I know the word "means" doesn't appear there. And there used to be a pretty heavy presumption against us and we'd be fighting uphill on this, but that has changed. The law 10:46AM has changed on that. *Williamson en banc* decision came down 2015 and changed the presumption. So, now the question is, just like it would be for a means-plus-function -- a claim limitation that said "means" in it, the question is: Does this limitation 10:46AM import enough structure to perform the functions that are disclosed?

So, I'm just going to give you a little -- couple of bullet points that we'll walk through quickly. Is it a means-plus-function limitation governed by 10:46AM 112(6)? We'll talk about that. The specification, as we

will see, does not disclose any algorithm for performing these functions. So, as a matter of law, this claim is indefinite. As I say, we'll walk through each one of these.

10:47AM First of all, what is the test -- what is the test for when something is a means-plus-function limitation when the word "means" doesn't appear? So, this is the *Williamson* decision. Just as I've stated, it just came down. And it describes for us what we have to 10:47AM look at to figure out whether a term is a means-plus-function term. Now, what it says is if the claim limitation "recites function without reciting sufficient structure for performing that function," then it's a means-plus-function limitation regardless of 10:47AM whether the word "means" appears in there. So, this is our -- this is our test. We have to look at the "processor for processing" limitation and figure out whether that limitation recites function without reciting sufficient structure for performing that function.

10:48AM So, let's look at the limitation and talk about whether it does. We've got -- I've highlighted the two functions here, one in yellow and one in green. The one in yellow we're going to call later on. We'll call that the "detecting function." The one in green is a 10:48AM "converting function." But these are all functions.

And I don't think -- I don't think it's disputed between the parties that all of the language that I have just highlighted is functional language. And what I mean by that is everything with a red underline under it describes what the processor is supposed to do. None of this is structure, and I don't think the plaintiffs will disagree with that -- we'll see, but I don't think that they will -- because that's all functional language.

10:48AM

So, that means the question really comes down to whether "a processor in communication with the camera for processing" gives you enough structure to perform all of those functions, those two functions, the detecting function and the converting function. That's the test under *Williamson*. So, we need to figure out whether or not there's enough structure.

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So, what does it mean for there to be structure? Well, the parties agree -- the parties' experts, at least, agree on one point; and that is that a processor by itself cannot perform these two functions. In other words, you have to specifically program your computer to perform these functions. It won't do it by itself.

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So, Gary Kitchen -- he's our expert -- he testified in his declaration that "A general purpose

10:49AM

processor could not perform the claimed functions without special programming."

Dr. Russ agreed. "Can a general-purpose computer without any special programming perform the functions that we've described from claim 24?"

10:50AM

"I believe the answer to that question is no. At a minimum, require the algorithm shown in Figure 3."

Now, we'll talk about that Figure 3 in just a few minutes; but the point that I want to focus you on, judge, is his first answer, "I believe the answer to that question is no," meaning that a processor by itself cannot perform the functions that are described in claim 24. That's what he said. That's what our expert says.

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So, what does that mean? Well, it means that we need to find some way to perform this function. It has to be an algorithm of some kind. And there's no algorithm disclosed in the claim; so, the claim by itself doesn't impart sufficient structure to perform either one of these two limitations -- to perform either one of these two functions.

10:51AM

Now, SyncPoint in their briefing has pointed to this language here, "A processor in communication with the camera," as supposedly providing the structure for performing these two functions; but we all know that a

10:51AM

camera by itself and a computer by itself can't perform these two functions. Your Honor may have a camera on the computer in front of him. My laptop has a computer on it. We can plug in a webcam to any of these computers, and none of them will be able to do either one of these two functions without special programming. It's the special programming that's key. Both sides' experts agree that you have to have it, and it's not in the claim. So, there's no structure for this processor to perform either one of these functions.

Now I want to make two last points on why 112(6) controls.

First point, if we look at the language of the claim itself, we see that it's actually drafted in sort of traditional means-plus-function language. So, if we just cross out "processor" and put in "means," we see that the limitation doesn't change. We don't know any more now about what device is performing these two functions than we did before. We still don't know how you have to program the computer to perform either one of these functions. So, this -- even though the word "means" doesn't appear, this limitation is drafted in classic means-plus-function format. That's Point 1.

Point 2 comes from Judge Clark's decision in *Personal Audio versus Apple*, and I think it's a really

informative decision that really should sort of control the outcome here. So, let me put up some language. Here's what Judge Clark said. "The functions described in the claim terms at issue" -- and he lists them -- "are special-purpose functions that cannot be accomplished by a general-purpose computer or processor in the absence of appropriate programming or software." Now let me stop there.

10:53AM

I've just shown you that that's exactly where we are. Both sides' experts agree you must have appropriate programming or software to perform the two functions disclosed in that claim. That's where we are.

10:53AM

Then Judge Clark goes on, "To construe these terms such that any processor, regardless of how it is programmed, would infringe the claims of the '178 patent so long as it performed the functions described would be tantamount to permitting pure functional claiming." That's exactly the problem that we're facing here because what we would be saying under the court's current construction is that any processor, so long as it performed those two functions, the detecting and converting functions, regardless of how it was programmed, would meet that limitation. But that's tantamount, as Judge Clark says, to pure functional claiming. You can't do that. You can't do that. And

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that's why 112(6) applies.

And, so, once we see that you've got to have a special purpose program to perform these functions and we see that 112(6) applies, then it's going to follow automatically that this claim is indefinite.

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Why? Well, we have to define the function -- well, take it one quick step back. If 112(6) applies, there's a two-step claim construction process. And that's first you have to define the function, and then you have to find the structure that performs that function.

10:55AM

Now, the parties have some disputes over what the defined function is. This is all set out in the briefing; so, I won't belabor it. The point here really is just that SyncPoint's purported function doesn't include all the functional language. That's wrong as a matter of law. So, if the court decides to adopt a 112(6) interpretation, the court would have to adopt the defendants' construction function as a matter of law.

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Now, let me turn to the more important point, is there structure. Because if we find that this is a 112(6) claim term, then we've got to find if there's structure; and the only structure that SyncPoint has identified is a processor. That's their purported structure from the 4-5 disclosure. This is wrong as a

10:56AM

matter of law. You have to identify an algorithm. The Federal Circuit has said that in enumerable cases, starting way back when but -- you know, several come to mind: *Triton Tech of Texas versus Nintendo*, the 10:56AM *Aristocrat* line of cases, *WMS Gaming*. All of these cases say you can't just say a processor performs this function. If 112(6) applies, you have to identify an algorithm. There's no in between.

And this is a quote that I wanted to share 10:56AM with the court from *Eon Corp.*, another almost brand-new case, "A microprocessor or general purpose computer lends sufficient structure only to basic functions of a microprocessor. All other computer-implemented functions require disclosure of an algorithm." So, I put this up 10:57AM for two reasons: One, to illustrate the point that SyncPoint's conception of a structure as a processor is inadequate as a matter of law -- it's what the Federal Circuit is saying -- but, No. 2, that the Federal Circuit has clearly identified processors as requiring algorithms 10:57AM to have structure. A processor all by itself simply doesn't have any structure. That's what the Federal Circuit is saying.

THE COURT: Once a determination is made that 112(6) applies.

10:57AM MR. KINSEL: Even before that determination.

The first determination -- there is -- the law is, unfortunately, overlapping; and the test for determining 112(6) is almost exactly the same as determining whether there's structure in the specification. And the Federal 10:57AM Circuit has pointed this problem out in a couple of cases. But essentially what you do to determine whether there's 112 -- whether 112(6) applies is you have to look at the claim language and you have to look at the specification and you have to decide whether in light of 10:58AM that specification does this claim term identify enough structure to perform those functions. Now, that's very similar to the test of determining whether or not the specification describes an algorithm, a specific algorithm for performing the structure -- for performing 10:58AM a function once the 112(6) analysis is done. But the analysis does run into each other -- do run into each other. They are similar.

So, that's why I put this up here, because it goes to really both points. A processor by itself, as 10:58AM matter of law almost, is not sufficient structure, certainly not to perform these complicated functions that we've just looked at.

So, let's look at these functions. There's two of them.

10:59AM THE COURT: I think that the gap between where

you are and where I am on this issue has to do with the issue of the sufficiency of the structure before a determination is made that 112(6) applies, which I understand to be different than the determination that
10:59AM applies after a determination that 112(6) applies.

MR. KINSEL: It is slightly different. It's the same analysis. We can go back to -- let me go back to *Williamson*. This is the analysis -- this is what the Federal Circuit has said -- "does it recite function
10:59AM without reciting sufficient structure for performing that function?" And when you're talking about a processor, you have to have an algorithm to have that structure.

Now, there are -- there's a line of cases starting in -- from the *Katz* case that the court may be
11:00AM familiar with and what *Katz* says is there is a very narrow exception to where you don't need an algorithm for performing -- for a processor and that's if you're talking about a function that's really a standard, bread-and-butter kind of function of a processor, adding,
11:00AM subtracting, that sort of thing. You don't necessarily need an algorithm for those. But when we're talking about two complex functions like this, you have to have an algorithm to perform it.

Now, if this claim limitation had said a
11:00AM processor with the following algorithm for performing

these two steps, then I would agree that it's not a 112(6). But that's not what it says. All it says is any processor that performs these two functions, regardless of how it's programmed, would be covered here. That's --

11:00AM that is the essence of functional claiming, and that's exactly the point that Judge Clark was making in *Personal Audio* here. It's exactly what he's saying is these two functions are special purpose functions. You have to program the computer to perform them. And if we don't

11:01AM put some limitation on how they are performed as being covered by the claims of the patent, then you're talking about pure functional claiming, which is exactly what we're talking about here. Without an algorithm, without applying 112(6), the court's construction would apply

11:01AM literally to any processor that performs those two functions in any way regardless of whether it's disclosed in the specification and --

THE COURT: Judge Clark was writing there before the Circuit provided some clarification about

11:02AM *Aristocrat* in the *Apple/Motorola* case.

MR. KINSEL: I agree. I agree. But I don't think -- I don't think that that clarification impacts this part of the discussion. I --

THE COURT: Well, the clarification made it

11:02AM clear that before a determination or before invocation of

112(6), the algorithm was not required to be in the claim.

MR. KINSEL: I agree. I agree.

THE COURT: Well, your example suggested that you felt the algorithm did need to be in the claim in order to avoid that.

MR. KINSEL: No. I'm sorry. I was trying to give an example of the kind of limitation that would not draw 112(6) scrutiny. I agree with the court's reading of the *Apple* case and *Motorola/Apple* case. I agree with that.

THE COURT: Okay.

MR. KINSEL: But *Apple/Motorola* didn't go so far as to say that any processor, regardless of how it's claimed, regardless of how it's programmed, could be construed as just a simple processor when all you have is functional language in a claim. And that's what we have here, is just pure functional language in a claim. The parties agree that there's no -- other than the camera and the processor itself, there's no structure of any kind.

THE COURT: I don't think that the Circuit has yet indicated that a processor is not structure.

MR. KINSEL: I agree with that, too. I agree with that, too.

And the analysis that the court has looked to is the analysis that I've just described, which is you start with the claims and you look at the specification and you decide whether or not the specification has given you enough information that the word "processor" imparts a structure for performing those particular functions in the claim. That's the way the analysis works.

So, to go to your earlier question aren't these -- isn't this the same kind of a discussion as we're going to look at if we decide 112(6) applies, the answer is yes; but we have to look at the specification. The Federal Circuit tells us to look at the specification. If the specification gives you some guidance as to how this processor is or what this processor is, if it gives it some structure, then maybe 112(6) doesn't apply; but here there is no structure. There's no structure identified anywhere. The specification doesn't describe any. The plaintiffs haven't described any. There's simply no indication as to how one would perform any of the functions that are described in this claim other than to simply program them in any way that you feel fit. So, that's why 112(6) does apply. Even though the word "processor" -- everybody knows what a processor is. We can open up our computer and we can point to a processor, but that doesn't impart

enough structure to tell you how to perform the two functions, the detecting and the converting function. These are -- that's what we have to perform. The computer on your desk couldn't perform either one of these functions. It has a processor, but it couldn't perform either one of these functions until you program it. That's why you have to look at the specification; and that's why in this case, because there is nothing in the specification that tells you how to perform these things, the "processor for processing" limitation is a 112(6) limitation and indefinite as a result.

THE COURT: Thank you, Mr. Kinsel.

MR. SETH: Your Honor, in general, we'll just rest on our briefing with regard to this issue. Mr. Kinsel states that one wouldn't know what device it is. It's a device, the processor; it's connected to the camera; and it performs the recited functions.

If there is -- with regard to the issue of the algorithm in support, we have provided an algorithm as an alternative to claim 26. The functions are the same in claim 24 as well. So, I think we'll just rest on our briefing on that.

THE COURT: All right.

MR. MATHIOWETZ: Duane Mathiowetz, your Honor, on behalf of PixArt Imaging. I'm going to address what

has been identified on the court's preliminary constructions as terms 4, 5, and 6. They're related. So, I'll just address them all together.

So, the -- just looking at 4 as an example, 11:08AM "detecting the position of the external cursor relative to the output from the computer," this term in fact requires two actions. First, you must detect the presence of the external cursor and the output from the computer. Then once they are both detected, the computer 11:08AM determines where the position of the external cursor is in relation to the output of the computer.

Now, the court has suggested it will adopt SyncPoint's construction which is plain and ordinary meaning. The problem with the plain and ordinary meaning 11:08AM is we really don't know what that means when you look at it in terms of the claim language itself because we need to know do we have -- does it require two actions. How do we know it requires two actions? Well, now we have to go back to the prosecution history.

11:09AM The patentee's response to the examiner's office action rejecting the claims during prosecution history actually supports defendants' position. There were two primary pieces of prior art on which the examiner rejected the application. First there was 11:09AM Hauck, office action in August of 2009 *[sic]*. Hauck

discloses a system that generates images on a screen and a user pointing to a position on the image. So, the pointer and the output from the computer are both captured by a sensor and then processed to determine the
11:09AM position of the cursor relative to the output. So, we can see that in Figure 1 of Hauck.

The second prior art reference that was relied on by the examiner was Arita. In Arita, Arita discloses an information presentation apparatus where a pointer
11:10AM remotely points to a large screen. The image on the screen is picked up by a monitor camera, and an image processing unit extracts the features of the pointer to identify the position of the cursor.

So, what does it involve? Both the external
11:10AM cursor and the output from the computer are captured by a sensor. So, there's a capture -- they're detected, they're captured by the sensor, and then they're processed.

So, here (indicating) we see Figure 1 from
11:10AM Arita which has -- which basically just shows what was described.

Now, in distinguishing over Hauck, the patentee argued that its invention claimed more than just detecting the position of the cursor superimposed on the
11:11AM screen. We see in the highlighting here the applicant

says, "In contrast, applicant's invention as disclosed and claimed uses various properties of an external cursor generated by a pointer, for example, to remotely control a computer." And he describes this as being "distinct from detecting the mere presence of a cursor at a particular position on the screen."

11:11AM

And in overcoming Arita, a similar argument, "the control is based on the position of the cursor and not the characteristic of the cursor." He's referring to Arita; but he says, in my system, the applicant's system, it is "based on at least one user selectable property of the external cursor in addition to the position of the external cursor."

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What's the significance of that? When the examiner raised its argument, the applicant didn't attempt to traverse the rejection by simply -- by saying, "Well, we only detect one, whereas Hauck and Arita have to detect two." In order to distinguish over the prior art, he said, "We do -- what we do is we have this additional -- we find this additional feature." So, the patentee made no argument at all that its invention needed to capture both the external cursor and the output as in Hauck; and that is what, you know, SyncPoint is alleging. He never distinguished the Hauck and Arita feature. He accepted those features and then moved on to

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say that his invention is different because not only did he do that but he also has another characteristic of the pointer that he -- that they find.

So, the specification actually supports this
11:13AM understanding. We know that, describing his invention, the inventor says -- he keeps referring to comparing "with a projected image of the computer screen."

So, all the embodiments in the specification show the camera detecting both the external cursor and
11:13AM the output from the computer. So, we've identified here, you know, four specific examples that are set out in the specification.

Example 1, the camera captures the image of the projected computer output on which a pointer has
11:14AM superimposed an external cursor. So, you see both the cursor and the output.

Example 2, same thing. The camera captures a substantial portion of the image generated by the computer and the external cursor. The computer then
11:14AM processes the captured image to detect where the position of the external cursor is on the screen. So, we can see we've -- here you've captured both of them, not just the cursor but also the output from the computer.

Example 3, the computer generates fiducials to
11:14AM calibrate the image captured by the computer. Such

fiducials delineate the active region where the external cursor is detected. But, again, both the image and the external cursor are detected.

And finally, example 4, which is really a combination of 2 and 3, the camera captures a substantial portion of the image generated by the computer and the external cursor, the computer generates fiducials to calibrate the image captured by the computer, and then the computer processes the captured image to detect where the position of the external cursor on the screen is relative to the captured fiducials.

And again if you look at Figure 3, Figure 3 is a flowchart that just describes how capturing the image and the external cursor then leads to processing the image. But, again, it captures an image of the output and the external cursor.

There is nothing in the specification that contradicts defendants' construction. So, the construction that defendants have proposed is the correct one. The patentee understood this term to mean that the presence of the external cursor and the output from the computer are detected. Once they are both detected, the computer then determines where the position of the external cursor is in relation to the output from the computer.

So, in summary, in order to understand this, you have to go beyond the specification back into the file history; and it's clear in the file history that the patentee amended the claims to overcome the prior art, specifying that the distinguishing feature was the detection of a property based on position and a property not based on position. But he understood that what Hauck and Arita taught were the same as what he taught, but now he adds the additional limitation on. So, he never distinguished over Hauck and Arita. He accepted that aspect of Hauck and Arita and then added the additional feature.

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So, all the embodiments support this; and we urge the court to adopt the construction so that there is clarity of what this term means because, you know, truly without -- by just saying it's plain and ordinary meaning, we are not going to have the clarity that will be necessary going forward.

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THE COURT: Thank you, Mr. Mathiowetz.

MR. SETH: Your Honor, I won't belabor this. I think that the defendants' construction --

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THE COURT: I would like to hear your response on it.

MR. SETH: I will. I will give you a response.

11:18AM

THE COURT: All right.

MR. SETH: All right. The portions that you see in red are what we believe to be imported into the claim language that is not required by the claim. What the claim requires -- what the claim requires is detecting -- well, there's two things that the claim requires. One of the things that the claim requires is detecting the "position of the external cursor relative to the output from the computer." That is the claim language. That is what the public is given notice of that they can't do without infringing the claim if they meet the other limitations.

We discussed earlier how this is done in -- how this is taught to be done in the patent; and, again, I -- not to belabor it, but the way that this is done in the patent is by using these four -- in this preferred embodiment, there's four reference point coordinates, C1 prime through C4 prime, that are on the imaging coordinate system that are representing the computer output.

One way of doing that, deriving those four coordinates, is the use of something called "fiducials," which was the preferred way or best mode that the inventor used to derive four reference point coordinates that would then be used in the math to determine the

location of the external cursor on the imaging coordinate system relative to these coordinates representing the computer output.

And what the -- what columns roughly 6 and 7 of the patent describe in excruciating detail but which is actually kind of simple at the end when you can wade through it is that you're going to get a relative position to these reference coordinates and it was a scale position actually where what you're going to measure is if C1 prime to C4 prime is your entire Y axis from 0 to 1, you're going to measure that position how far down, 10 percent down from C1 prime are you, and that scaled value is then going to be applied to your display coordinate system.

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So, if you have a 640-by-480 display, you're going to go down 10 percent on your 640; and you're going to go over 27 percent on your 480. That's all it is. And that's how you're getting the reference position relative to the output from the computer -- I'm sorry -- the position relative to the output from the computer.

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So, it's your external -- as your user is moving around either the pointer or the camera to change that relative position, the system is then calculating how that relative position is changing, you know -- for example, if I'm moving the camera up and relative

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position is moving down, the system is tracking what percentage -- you know, how much has it changed. And then what we'll do is we'll take that percentage and we'll apply it to the display coordinate system and we'll move the internal cursor to that position. In fact -- and this is also referenced as an exemplary method for determining the position. And I won't belabor the math that goes into it. I think it's sufficiently described.

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The experts agree that the position of the external cursor on the imaging coordinate system is then transformed to a position for the internal cursor in the display coordinate system, and sometimes we refer to it as the "computer output coordinate system."

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And, again, the experts agree that the way that you're getting this position is by measuring relative to the reference coordinates represented in the preferred embodiment as C1 prime through C4 prime.

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And I just want to go to Figure 1, please, of the patent for a second. And I think this goes to the -- do we have the figure blown up?

11:23AM

Yeah, you can see, your Honor, that there -- there's some argument that was made at one point -- I think it's been largely abandoned, but let me address it -- that somehow the -- what you're doing is you're shooting this external cursor and you're sort of moving

11:24AM

the internal cursor in a superimposed relationship to the location of the external cursor and none of that is even close to being the case.

There is a position of the external cursor on the imaging plane coordinate system, the imaging coordinate system, and then there's a corresponding position of the internal cursor on the display coordinate system, but the two are not in any way superimposed on one another even in the preferred embodiment.

11:24AM Can we go back to Slide 40? -- I apologize, to Slide 77.

So, what we -- again what we see is you have a position on the imaging coordinate system that's captured in Figure 2; and then as the user is moving something, 11:25AM laser pointer or camera -- in this case the laser pointer -- the internal cursor is correspondingly moving. And that works regardless of whether you're using visible light or invisible light. It doesn't perhaps show a dot on the screen but which again it's captured on the 11:25AM imaging array so that you can make the same exact measurement relative to the C1 prime and C4 prime. Because as long as the camera can capture the position of the external cursor and the user can move it, the system functions exactly the same way. And that's true whether 11:26AM you're using invisible light and moving the camera, using

visible light and moving the pointer. Doesn't matter. Works the same way.

And that's what we have -- oh, there was a point made regarding prosecution history estoppel, I 11:26AM believe. We actually have that same quote from the prosecution history.

If you could go to Slide 87, please.

And there was an argument made regarding some of the prior art that was discussed in prosecution of 11:26AM these claims; and the distinguishing feature -- and I just want to point this out briefly -- the distinguishing feature that the patentee was talking about was the fact that in the '214 patent, you did not have to point at anything specifically in order to generate a command, 11:27AM that there were two aspects of the system. One was that you can move the relative position of the external cursor and then use that to move the position of the internal cursor and that there was also in this '214 patent other properties that the camera could detect that the image 11:27AM processing system could process that could then be used to generate additional commands. And that's all that's being said here.

So, there was no disclaimer of pattern of movement. There's no disclaimer of whether or not you're 11:27AM using direct light or indirect light or visible or

invisible light. All the patentee was doing was saying, "Look, my system has" -- and in relation to the amended claims, "My system specifically has both this change in position that generates a command or position that
11:28AM generates a command to move the internal cursor and it also has other optical properties that are captured, detected, and used to control the computer and that's what's great about my patent." And that's all the applicant was saying there.

11:28AM So, if there's no other questions, that's my presentation.

THE COURT: All right. Thank you, Mr. Seth.

MR. PIA: Your Honor, just one point, if I may.

11:28AM THE COURT: Go ahead.

MR. PIA: Sorry.

MR. SETH: We're not done --

MR. PIA: Oh. Well, I didn't...

THE COURT: Do you have another point on these
11:28AM terms?

MR. PIA: Well, I do. I just want to note something for the court that I think is very -- related to these terms, your Honor. It will just take me one minute.

11:29AM THE COURT: All right.

MR. PIA: If you can pull up that last screen. Maybe less than a minute.

I just want to show the court something. The court -- we have been talking about detecting the external cursor. You can see this laser pointer on your wall right there (demonstrating), your Honor. If I move this over to the screen, you don't see it. See that? It's still on. The reason why you're not seeing that is because there's interference with the visible light coming from the screen. That doesn't mean under this patented invention that it doesn't work. And the patent, for example, in column 4, lines 31 through 41, talks about filtering the captured image in order to detect the external cursor particularly where there's other light interference; and then there are claims that specifically deal with that filtering, dependent claims 4, 5, 6, 7, and 8 that talk about that filtering.

So, we've discussed *ad nauseam* now the visibility aspect of that, of the external cursor. I just wanted to show that to the court that if "visible" is allowed to stay in the construction, then this application doesn't -- is not covered, although that external cursor would still be detected by the camera.

THE COURT: All right. Thank you, Mr. Pia.

I think the only remaining term was the "at

least one property" term.

MR. KINSEL: That's correct, your Honor. Greg Kinsel. I was just fumbling to get to my slides here for that issue. I'll try to be brief on this one as well.

11:31AM Judge, the real -- where the rubber meets the road on this issue is the question of "pattern of movement." And what we're talking about here -- just for some point of clarity, what we're talking about here is properties of the external cursor that are detected by 11:31AM this system. As I mentioned at the very beginning of my discussion, there are two facets of this invention. The first facet is moving the internal cursor to the place where the external cursor is. We've talked about that. This is the second facet, and that's detecting a property 11:31AM of the external cursor.

And, so, where I think the issue on this is is that the defendants' construction excludes any property of the cursor that's based on position, whereas SyncPoint's construction would not necessarily exclude a 11:32AM property that's based on position but would exclude those that are a position. So, let me just put a touch of meat on what we're talking about here so that we can get some context.

Claim 11 claims -- is a dependent claim, 11:32AM depends from claim 1 -- it claims "detecting at least one

property of the external cursor comprises detecting a pattern of movement of the external cursor." So, the question is if a property -- at least one property is not based on position, can it detect one of these properties
11:32AM of movement? And I think the examples that have been given in the briefing thus far would be something like this kind of Z shape, like a gesture, for instance. If I move my external cursor in a Z and the system detects that change in position, is that a pattern of movement
11:33AM that should be covered by claim 11?

Under defendants' construction, it's not because this gesture -- this sort of gesture-based movement is based on position; and it wouldn't be covered by defendants' construction. And there's a reason for
11:33AM that, and it's because it shouldn't be covered.

Let me back out of this and talk about the claim terms. What we're talking about here is a property of the external cursor. A gesture like this Z position that we saw is not a property of the external cursor;
11:33AM it's a property of the person using the external cursor. So, let me give you some examples of what are properties of the external cursor.

You've got color or shape or size or intensity, illumination pattern, motion. These are all
11:34AM properties of the cursor, and those are the kinds of

properties that are supposed to be detected.

If we think about it like this, we think about a car. Okay? This car has certain properties. It has a color and it has a number of wheels and it has a number of doors, et cetera. Those are all properties of the car. But if we think about the route that I drove to get here to court, that's not a property of the car; that's a property of the driver. And that's what we're talking about. That's the distinction between these gesture-based positions, these gesture-based properties of movement, and the properties of movement that are of the external cursor. A gesture isn't a property of the external cursor.

11:34AM

11:34AM

Now, we've already talked a little bit about the file history and how the inventor distinguished his claim -- his claims over Arita. I just want to talk it through just very quickly. What the inventor said about Arita is that Arita detects these shapes of the cursor, but it doesn't use those shapes to control the computer. So, he says, "To the extent any control to the computer is provided, the control is based on the position of the cursor and not the characteristic or property of the cursor."

11:35AM

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By contrast, his system, he says, "controls the computer based on at least one user selectable

11:35AM

property of the external cursor in addition to the position of the external cursor." So, he's disclaiming positions, patterns of movement, and other things that are based on position.

11:35AM Let me focus here on "user selectable properties." He's talking about properties of the external cursor. So, if we think about my car example again, I go to a car lot, I can go to the salesperson, "I'd like a red four-door car." Those are all user

11:36AM selectable properties. But what I can't do, without getting a strange look from the salesperson, is go up to them and say, "I'd like a car that drives from my hotel to the courthouse." That's not a user selectable property. User selectable property is an intrinsic

11:36AM property of the cursor. That's what we're talking about, and that's why defendants' construction which excludes properties based on position is the right one because he's excluded all other kinds of properties and because the claim terms require it.

11:36AM THE COURT: How does the fact that it's user selectable make a difference here? The user would be the one that caused it to move?

MR. KINSEL: Agreed, but the user isn't selecting anything. In that context -- so, if I'm doing

11:37AM a Z pattern, I'm not selecting any characteristic of the

cursor. I'm using the cursor just as it is here. Whereas if I select the color or I select the size of the cursor or I select the number of dots for the cursor -- the court may recall, in the technology tutorial that we
11:37AM submitted, seeing Mr. Hansen's demonstration of the system. And if you go back and you look at that system, what you'll see is when he's right clicking, two dots pop up and when he's left clicking, three dots pop up. And I may have those reversed. But in any event, the number of
11:37AM dots change. Those are user selectable properties.

There's no indication anywhere in the record -- there's not a single line anywhere in the specification that would suggest that this inventor invented gesture-based detections. There's nothing in
11:37AM the record that would suggest that.

So, the fair question I guess is: So, what kinds of cursors are here? What is the pattern of movement that's actually controlled? And there is in the record some evidence that there were cursors that
11:38AM exhibited a pattern of movement that was not based on property. So, for instance, in a Mac system, the spinning beach ball of death; the Windows system, the rotating cursor. In either case, those are cursors that exhibit a pattern of movement that's not based on
11:38AM position.

THE COURT: Doesn't Figure 3 include pattern of movement as one of the properties?

MR. KINSEL: Yes, your Honor, it does.

THE COURT: And you're suggesting that we should restrict that to the examples that you have just indicated of the spinning hourglass or the color wheel?

MR. KINSEL: No, your Honor, I'm not. All I'm -- I am merely giving examples of the kinds of patterns of movement that could be included. Any pattern of movement is okay so long as it's not based on the position of the cursor.

THE COURT: Well, why isn't a movement that is selected by the user a pattern of movement that would be covered as a property?

MR. KINSEL: In the example of, for instance, the Z shape, is that --

THE COURT: All right.

MR. KINSEL: So, in the example of a Z-shaped pattern, for example, that's not a property of the cursor. Again --

THE COURT: I mean, that's based on a definition of "property" that you're supplying; but the patent describes "property" as including pattern of movement.

MR. KINSEL: And we're not excluding patterns

of movement in any way.

THE COURT: Except for a Z shape.

MR. KINSEL: The only properties that are excluded under our construction are those that are based on position, and not all patterns of movement are based on position. My pinwheel and the hourglass are just two examples of the kinds of patterns of movement that would not be position based.

11:39AM

THE COURT: All right. So, tell me where you derive the limitation that the pattern of movement cannot be based on position.

11:40AM

MR. KINSEL: In two places. One, from the file history that we just looked at. So, that's the Arita; and I can go back there, your Honor, if you like.

THE COURT: Is there something clear and unambiguous in that file history that says that a pattern of movement cannot be based on position?

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MR. KINSEL: Oh, it doesn't speak to -- I'm sorry. I misunderstood your question, your Honor.

This disclaimer doesn't speak to a pattern of movement directly. Rather, what it says is that the properties based on position are excluded. Again, we're not -- I want to make sure that I am being clear because I perhaps am not being as clear as I could be. We are not suggesting that a pattern of movement is not among

11:40AM

the perfectly acceptable "at least one property." It is. It's claimed specifically in claim 11. It's disclosed in the specification. There's no question that pattern of movement can be one of the detected properties.

11:41AM The question on the table is whether the detected properties can be based on position. That's the question. And, so, we were using this pattern of motion -- and maybe I've gotten things a little bit confused. I raised that because that was really the 11:41AM SyncPoint counter-example to why it can't be based on position, why the "based on position" limitation is inappropriate.

The "based on" limitation comes directly from the file history. That's what the inventor said his 11:41AM invention was. He says Arita -- and I can put up Figure 1 for the court if the court would be interested in that. But Figure 1 from Arita shows two different cursors. One is a plus sign, and one is a dot. And the inventor says, "Look, Arita has these different shaped 11:42AM cursors. It identifies different shaped cursors, which is a property of the cursor; but it doesn't use those to control the computer. Instead, it uses position. Its control is based on position." He says, in the next paragraph, "My system, by contrast, is not based on 11:42AM position. My system for selecting properties is based on

the property of the cursor, a user selectable property of the cursor." So, that's where the "based on" language comes from, your Honor. It comes literally directly from the file history. These are their words. This is what
11:42AM the inventor said his invention was covering. That's why we used those words.

But to make myself clear, pattern of movement is perfectly acceptable. It is one of the "at least one properties." It just can't be a property that's based on
11:43AM position.

THE COURT: All right. I understand your position.

MR. SETH: As Mr. Kinsel says, the essential dispute is what does the -- what does this term mean,
11:43AM these other properties, because the claim requires position and it requires at least one other property. The specification -- oh, and just to focus the dispute, we're okay with "property." So, the two constructions can both be "property," property that is not position
11:44AM versus property not based on position.

And the specification is very clear that position was a property and pattern of movement was a property -- another property of the external cursor; and we see that in Figure 3, because in block 60 we're
11:44AM processing to detect property of the external cursor and

various examples are given. Intensity is one, color is one, shape is one, size is one, pattern of movement is one, position is one. And they're all different properties of the external cursor.

11:44AM The specification here -- we're at column 8, lines 32 to 85 *[sic]* -- again we're talking about the "Cursor properties may include intensity, color, shape, or size, as represented by blocks 62, 64, 66, and 68. In addition, cursor properties may include a particular

11:45AM pattern of movement as represented generally by reference 70." And then it goes on to distinguish "Position of the external cursor, represented by block 72, is preferably also detected relative to the position of the fiducials" that generated those reference coordinates.

11:45AM The experts agree that the Figure 3 distinguished pattern of movement from position and that pattern of movement is another property.

THE COURT: And they are relying primarily on that prosecution history. What's your response to that?

11:45AM MR. SETH: Yes. I'm going right to that, your Honor.

If we can just jump to Slide 87.

So, again we're distinguishing some prior art; and in distinguishing the prior art -- and mind you, the

11:46AM inventor had just amended the claim to include these

other properties because the prior art used position but did not use other properties. So, the examiner -- or I'm sorry -- the applicant is saying (reading) the invention as disclosed and claimed in the amended claims uses an external cursor having a plurality of properties and then gives the example of movement pattern as one of the properties that it has that the prior art didn't. That was an additional property that was being used to control the system.

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11:46AM

So, in other words, prior art already had movement of internal cursor based on movement of external cursor. It did not have these additional properties that were optically detected and were also used to generate commands. One of those properties that you could use was the movement pattern to generate a command, like the example we gave of a circular movement pattern hitting the tennis ball.

11:47AM

So, what the applicant was distinguishing was that you're not just using position; you're using additional properties. One of those properties could be pattern of movement. It could be other properties as well. So, there's no clear disclaimer in the prosecution history of pattern of movement.

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Grant, can I have your Slide 43, please?

11:47AM

MR. KINSEL: Sure.

MR. SETH: And just to make it very clear, your Honor -- and I appreciate you don't have full context here; but, again, this -- this is now one page later. We've gone from page 6 to page 7 of the office
11:48AM action response. And for the record, your Honor, that office action response was the November 9th, 2000, office action response. I think it was Exhibit 2 to our Markman brief.

And in distinguishing the patent, Arita was
11:48AM only generating the command based on position. That's it. There was no other property that was being used to generate a command. So, the applicant is simply stating here, okay, your commands in Arita based on position; mine are based on position plus additional other
11:48AM properties, including pattern of movement, as we saw in figure -- in page 6, the page before that, where pattern of movement was a specific additional property that was used in the '214 system to generate a command that Arita did not use. And that's all that was. So, it's a
11:49AM linguistic argument; but it's just factually incorrect.

If we go back to Slide 88 for a minute. And I think this will just be my final point. These are the claims that were allowed over the argument and the prosecution history, including claim 11 in which a
11:49AM pattern of movement is specifically one of those

additional properties. The patent office allowed that because the difference between Arita and '214 was that we had additional properties, including pattern of movement, that were used to generate commands and weren't just
11:49AM based on just a -- a command just based on position alone.

THE COURT: All right. Thank you, Mr. Seth.

MR. SETH: Thank you.

THE COURT: Anything further?

11:50AM MR. KINSEL: Your Honor, I would just note very quickly -- and I don't have much rebuttal here -- but just that it is not the case that pattern of movement is excluded by defendants' construction. All of this argument about pattern of movement was allowed is
11:50AM correct. It was allowed. It's part of the claims. There's no disputing that. We're not disputing that.

The question is what kind of pattern of movements are in? Are they all in, or are they based on properties -- or based on position? That's really the
11:50AM issue.

THE COURT: I do understand that.

MR. KINSEL: Thank you, your Honor.

THE COURT: Thank you.

All right. We have several motions that were
11:50AM set for today as well. Have the parties made any

progress on any of those, or are those still where they were at the time of the briefing?

MR. KINSEL: They're still where they were at the time of the briefing, your Honor.

11:51AM MR. PIA: That's correct.

THE COURT: All right. Well, I think maybe it's best then if we take those up after lunch. I don't know. I -- unless the parties think we can move through them particularly quickly.

11:51AM MR. KINSEL: From Nintendo's perspective -- and I don't want to speak for my friends PixArt because there are some PixArt motions pending as well. But from the Nintendo side of the table, I think we can move it pretty quickly. I think the issues are pretty

11:51AM self-contained. My colleagues, Mr. Amborn and Mr. Siebman, are going to address them and are prepared to address them promptly; but obviously if the court and the court's staff would prefer to take lunch, that's fine. But I do believe we can get through them rather

11:52AM quickly.

THE COURT: Mr. Pia, what about your side?

MR. PIA: We likewise think that's the case. We just don't know what "relatively quickly" is.

THE COURT: Well, trust me, I'm not sure I

11:52AM would believe you if you tried to specify that. Why

don't we go ahead and take them up then now, and we'll see what kind of progress we make.

Is there any argument in addition to what's in the briefs that the parties want to offer about the motions relating to arbitration?

11:52AM

MR. MATHIOWETZ: If I could, your Honor. Duane Mathiowetz for PixArt.

Your Honor, I believe where the court got off the rails in deciding this motion was failing to recognize that the parties' agreement to proceed pursuant to the AAA rules put the question of arbitrability squarely in the hands of the arbitrator and took it away from the court. And, specifically, the Fifth Circuit case of *Petrofac versus DynMcDermott Petroleum Operations*

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cited in our brief -- but it's 687 F.3d 671 -- controls. And that case makes it very clear that when the parties adopt the AAA rules, including Rule 7(a), that the arbitrator is the one who makes the decision with respect to arbitrability. Instead, by deciding on its own that

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the scope of the arbitration clause was limited to the amount of royalties in dispute, the court avoided altogether the application of the Federal Arbitration Act and denied the stay relying on the court's inherent authority to control the docket. But that's really --

11:54AM

you know, it ties back to in the first instance that

decision should be made by the arbitrator.

THE COURT: Do you have any authority that you would cite that involves an arbitration agreement that has an express provision limiting the authority of the arbitrator like this one does?

11:54AM

MR. MATHIOWETZ: I think, your Honor, it's -- it comes straight from the -- if I'm understanding the question, it really comes straight from the *Petrofac* decision because the party -- its clear that the parties have adopted the AAA rules. And *Petrofac* just says as soon as you've adopted the AAA rules, it's now the mediator who makes the decision on arbitrability.

11:55AM

So, that's -- you know, we didn't -- it was interesting because there was no discussion whatsoever by SyncPoint of the *Petrofac* case; and we think there's a reason for that, because *Petrofac* is very clear. It's Fifth Circuit law that controls and it says this decision should first go to -- should be made by the arbitrator and because it's a decision to be made by the arbitrator, you now have to invoke the Federal Arbitration Act which says if there is a question that is, you know, arbitrable, the court should stay the action so that the arbitration can move forward on those issues.

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So, that's our position, your Honor; and that's just where we think the court went wrong in its

11:56AM

decision.

THE COURT: So, I'm taking it from that that you don't have any authority that deals with an agreement that expressly limits the role of the arbitrator.

11:56AM MR. MATHIOWETZ: Well, I guess it depends on what you mean by the agreement "expressly limits the role of the arbitrator" as it applies to this particular decision.

THE COURT: Then let me be specific.

11:56AM Something along the lines of the term in -- that says the power of the arbitrator shall not extend to any other matters; all other disputes shall be subject to litigation. That's the -- that's what I'm talking about as an express limitation.

11:57AM MR. MATHIOWETZ: Right. And it's not really a question, we believe, your Honor, of whether or not this is a general or limited scope. The fact that the parties have invoked the AAA rules trumps the fact that there is this additional language in the arbitration clause. And

11:57AM I would point to -- there is other language that suggests that this is not a narrow term. There's broad permissive language like "any dispute should be arbitrated concerning," "any dispute concerning," and "shall be."

THE COURT: Any dispute concerning the amount

11:58AM of royalties --

MR. MATHIOWETZ: Yes. That's any dispute.

THE COURT: -- payable under this agreement.

MR. MATHIOWETZ: Right.

THE COURT: Okay.

11:58AM MR. MATHIOWETZ: But it's also clear from the case of *Rhone-Polenc* that even though there is an infringement matter involved, that doesn't mean that that's something that's apart from the royalties. Here you have a case where the -- there's just an intertwining 11:58AM of royalties and other decisions that have to be made; and it's clear even from the language that was written by Mr. Hansen, who, you know, drafted the agreement, that anything related to royalties has to be decided in an arbitration.

11:59AM The fact that it brings up other issues doesn't mean that those issues that are related to the royalty cannot be decided by the arbitrator. And here -- and I think really, again, looking at the *Rhone-Polenc* case, it tells you that if you have issues in a patent 11:59AM infringement matter and you have a royalty dispute, those -- all those issues that relate to how you calculate the royalty have to be decided in the arbitration; and that's definitely the situation we have here.

11:59AM THE COURT: Okay. And not to beat a dead

horse. Do you have any authority that deals with an arbitration agreement that expressly limits the authority of the arbitrator?

MR. MATHIOWETZ: Nothing beyond what's already in our briefing, your Honor.

11:59AM

THE COURT: Okay. All right. Thank you, Mr. Mathiowetz.

MR. AYCOCK: Hello, your Honor. Robert Aycock for SyncPoint.

12:00PM

I don't believe there is any authority; and when we look at the provision of 10.1.2, it specifically does limit what will be arbitrated. And if we were to accept PixArt's proposition that all issues -- and counsel for PixArt said "some issues," but they're now

12:00PM

asking for all issues -- there would be no meaning to these terms.

THE COURT: Are you seeking royalties for infringement that you allege occurred during the term of this agreement?

12:01PM

MR. AYCOCK: That position is being continued to be evaluated by the damages expert on our side, your Honor.

THE COURT: All right. I think there's either a "yes" or "no" on that. Are you seeking it, or are you

12:01PM

not seeking it?

MR. PIA: If I may respond. So, there -- thank you, your Honor. Joe Pia.

There are royalties that are required to be paid under the contract if the contract is breached, and there's separate royalties that could be assessed for infringement. And those can be separable issues. So, we have a breach of contract claim, and we also have an infringement claim. We might seek royalties for both in both contexts. The intention is to do that, and discovery is ongoing.

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12:01PM

THE COURT: So, are you -- you're saying that you are in this lawsuit seeking royalties for infringement that you allege occurred during the term of this agreement.

MR. PIA: Yes, and for royalties not paid for breach of the contract.

12:02PM

THE COURT: And why do you contend, then, that the arbitration clause shouldn't govern the amount of those royalties?

MR. PIA: The arbitration agreement would not govern the amount of royalties in the infringement context because there's nothing about that in that agreement. What that agreement governs is the amount of royalties per the terms of that contract.

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THE COURT: And are you seeking royalties per

the terms of that contract in this lawsuit?

MR. PIA: Yeah. We're seeking -- well, royalties and damages, which are in addition to royalties, but yes. As one aspect of this case, there are -- there will be -- we are asserting that there are royalties that were not paid. There are also other damages related to breach of contract, and then there are infringement damages.

12:03PM THE COURT: So, why wouldn't the amount of those royalties which arise from this contract be subject to that arbitration clause?

MR. PIA: And that might be possible when we get to that point in the proceedings; and as I recall, the court's order -- prior order was that the arbitration motion would be denied without prejudice and could be raised at a later point in time. Once we have been through that whole process, it might end up being that our damages and royalties are limited to infringement or some other basis. But yes, currently we are alleging that there are royalties due under the contract. So, we'd just ask the court to affirm its prior decision and say that the arbitration motion is denied without prejudice and PixArt can raise that issue again.

THE COURT: All right. Thank you, Mr. Pia.

12:04PM MR. MATHIOWETZ: May I briefly respond, your

Honor?

THE COURT: Yes.

MR. MATHIOWETZ: The problem with that scenario that's been proposed by Mr. Pia is that that clearly requires the court to ignore the Federal Arbitration Act. The Federal Arbitration Act says that if there's an arbitratable issue, the court must stay the action so that the arbitration can be completed and those issues can be resolved. So, it's flipping it. It's putting the cart before the horse. So, really what should happen is the case should be stayed, the arbitration resolved. That may take care of everything. At least as to the damages that occurred during the contract period.

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THE COURT: Well, it clearly can't take care of everything.

MR. MATHIOWETZ: It can't take care of everything, but it will take care of a lot. And the case law is -- or -- and I'll just paraphrase it; but the case law says that even if there are other issues that need to be resolved, the arbitration should go forward and that resolution should be done first.

12:05PM

THE COURT: Well, I guess one option under your theory would be to sever the claim for royalties based on the agreement during its term and send those to

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arbitration. Why should we stay the rest of the case? It is clearly excluded by the express terms of the contract.

MR. MATHIOWETZ: I think that's a matter of judicial efficiency, your Honor. Because what the court should allow to happen is the arbitration would resolve the issue of whether or not any royalties were due during the contract period. That issue will necessarily also impact whether or not there are any royalty -- or there would be any damages due to infringement that occurred after the contract period.

THE COURT: How would it necessarily impact that?

MR. MATHIOWETZ: Well, I think what happens is you then have the -- let's say that the arbitrator decides that there is no infringement; therefore, no royalties are due. Okay. You now have a decision that there were no royalties due. I think that is at least -- you know, whether or not the plaintiff wants to come back and challenge that decision, you've already got a decision on whether or not there should be any royalties or damages, however you want to phrase it, with respect to the period that occurred -- or during the contract period.

Let's say the flip side of that. The

arbitrator comes back and says, "I think there's infringement." Well, how many units did you sell; and what's the appropriate royalty rate? So, those things will then get decided by the arbitrator. They no longer have to be decided by the court.

12:07PM

THE COURT: What would be your authority for the proposition that the arbitrator's decision on those issues would in any way be binding in the litigation?

MR. MATHIOWETZ: I would have to find some for you, your Honor. That's not an issue that we briefed.

12:07PM

THE COURT: Okay. I don't think that's the case but I understand your argument on it and I will consider that.

MR. MATHIOWETZ: Thank you.

THE COURT: Thank you, Mr. Mathiowetz.

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What is the next motion that the parties want to address?

MR. KINSEL: Your Honor, from Nintendo's point of view, the protective order motion I think would be -- regarding source code would be effective and appropriate and relatively condensed.

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THE COURT: Okay.

MR. KINSEL: So, that would be my suggestion.

THE COURT: All right. Thank you, Mr. Kinsel.

MR. KINSEL: Thank you.

12:08PM

MR. SIEBMAN: Your Honor, Clyde Siebman for Nintendo.

In the spirit of moving things along, this motion may actually be moot if the plaintiffs do not intend to amend their infringement contentions through use of source code.

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THE COURT: And I tell you, Mr. Siebman, that I have interpreted and understood that 3-1(g) to be an option that a plaintiff can choose if they feel that they don't have a sufficient basis without source code to provide infringement contentions on an issue. They can opt to wait for the source code discovery, and then they are required within 30 days thereafter to amend their contentions and not stand on their previous answer which was a deferral. But if the plaintiff does not opt to wait -- in other words, if the plaintiff provides infringement contentions in advance of source code review -- that 3-1(g) does not require them to amend within 30 days after the review.

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Now, naturally, if they're going to change their contentions, they have to do it on a timely basis; and they have to be diligent about it and obviously make sure their contentions are seasonably supplemented.

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But in any event, I wasn't sure whether your motion was based on a different belief about the effect

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of 3-1(g).

MR. SIEBMAN: I think 3-1(g) is an election that the plaintiffs would make and that if they're going to change their infringement contentions based on source code, they've got to do that within 30 days. That's --

12:11PM

THE COURT: Did they elect the 3-1(g) option at the time they served their contentions?

MR. SIEBMAN: It's our interpretation that they did.

12:11PM

THE COURT: Okay.

MR. SIEBMAN: And that's the reason that I began my presentation by saying this may be moot if -- if, in effect, if -- I mean, at this late date -- here we are at the end of October, almost November. If at this late date -- I would assume at this late date that maybe they're not going to amend their infringement contentions based on source code because it is so unseasonably late. So, if that is the case, if they're not going to amend their infringement contentions based on source code, then this would be moot and no need to take it up.

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THE COURT: Okay. All right. Well, let's hear from the plaintiff on that.

MR. SETH: Your Honor, it is our belief that we can -- we should supplement our infringement contentions and we are trying to do that and we've made

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great strides in being able to do that. We have had Nintendo make available their source code and also provide the printouts that our experts need so that we can do that, and we have been through that review process.

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We have just one little issue I think with regard to source code remaining; and that is that PixArt has not produced the printouts that we've requested, 10 PDF files out of about 250, that are relevant to our infringement contentions. We have been trying to convince them to do that; and as soon as we have those printouts, we can update our infringement contentions probably within 5 days. They're substantially ready, but they -- we just have a little tweak that we need the printouts for on the PixArt code.

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THE COURT: Well, let me just say, Mr. Seth, that you can't wait until you get all of your discovery to amend those contentions. If you have a basis to do so now, I would encourage you to do so because you'll need to show diligence in making those amendments to your contentions. So, I -- I don't want you to think that the fact that there may be some additional discovery yet to be obtained gives you a certain basis to withhold amendments until that's completed. So, I -- but I'm not going to say that you're required to do it within 30

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12:14PM

days, as 3-1(g) would say, because -- well, unless you tell me -- it was my understanding that you did not exercise that option, that you provided contentions in advance.

12:14PM MR. SETH: We did, your Honor. We did provide infringement contentions.

THE COURT: And are you representing that you did not rely upon 3-1(g) in those?

MR. SETH: We did not.

12:14PM THE COURT: Okay. Well, unless the defendant shows me otherwise, I'll just encourage you to move promptly on your amendment so that we don't have an issue when you serve them.

MR. SETH: Your Honor, I appreciate the 12:14PM guidance.

THE COURT: All right. Mr. Kinsel, do you have something to offer on that?

MR. KINSEL: I do, your Honor. I'm just trying to find my copy of the initial contentions. The 12:15PM initial contentions expressly invoked 3-1(g). If you'll just bear with me just for one moment, your Honor.

The contentions expressly invoked 3-1(g) on the very first page. Bear with me for one moment, your Honor. I apologize.

12:15PM THE COURT: All right.

MR. KINSEL: I can't get my fingers on them here.

We could always provide them, but I will represent to you that in fact they did invoke 3-1(g) expressly. More to the point, we have been talking about 3-1(g) as --

Clyde, I don't want to usurp your discussion here.

MR. SIEBMAN: Go ahead.

MR. KINSEL: But we have been talking about 3-1(g) because the plaintiffs invoked it. They said that they were entitled to amend their infringement contentions because they were relying on 3-1(g). What's happened here is the plaintiffs supplemented -- filed an initial infringement contention series. They then amended those infringement contentions shortly thereafter without leave of court. We didn't object because we didn't think it was necessary to do so. But those amended contentions invoked 3-1(g). We had previously produced the source code. SyncPoint didn't come and review it for many months, and their time under 3-1(g) ran.

So, this is not a case where they didn't elect 3-1(g). They expressly elected 3-1(g). So, it is certainly true that they provided infringement

contentions --

THE COURT: Well, I guess what we need is to see the contentions. So, perhaps if you can file those supplementally, that would help.

12:17PM MR. KINSEL: Your Honor, we have them now available. I can put them up on the screen.

THE COURT: Are they in the record at this point?

MR. KINSEL: They are, your Honor. I don't

12:17PM know why we don't have it with us.

MR. PIA: I don't think they're in the record.

MR. AMBORN: I think they're part of this motion, actually.

MR. PIA: All of our infringement contentions?

12:17PM MR. AMBORN: No, not all of your infringement contentions. The cover pleading --

MR. PIA: Just for the record, your Honor, I don't believe the infringement contentions have been made part of the record.

12:17PM MR. KINSEL: Well, we can solve the problem relatively easy, judge. We're happy to supplement the record.

THE COURT: All right. Why don't you do that.

MR. KINSEL: We can find it. But the point

12:18PM being that the contentions -- we can plug it into the

computer perhaps while we're taking a quick break to fumble around here. I don't want to fumble around while we're wasting the court's time.

But the net -- here it is. 3-1(g) was expressly invoked, and that date has come and gone.

THE COURT: All right.

MR. KINSEL: I think we've got it now.

MR. SIEBMAN: Your Honor, the part of this that is so frustrating to Nintendo is that we expedited production of technical documents -- about 60,000 pages -- in June. In addition, we made our source code available on July 2nd, which was very early on; and they didn't even give us notice of who their consulting experts would be for the purpose of looking at source code until well beyond the 30-day time period for that.

As your Honor can see on the overhead, this is in fact a copy of their infringement contentions where they do in fact expressly invoke Patent Rule 3-1(g), contrary to their representations.

THE COURT: The question I guess that I need to determine by looking at the contentions is whether they have done anything other than list 3-1(g) and all other applicable rules or whether they in fact relied upon it in lieu of providing infringement contentions on any of the claims. So -- but in any event, if the -- are

these in the record now, the ones that you're -- you have on the screen?

MR. SIEBMAN: If they're not, your Honor, we'll supplement the record and make sure that they are.

12:20PM THE COURT: Okay.

MR. SIEBMAN: With respect to your Honor's last question, we corresponded with them in early August and asked them to supplement their infringement contentions because we thought that they were inadequate; 12:20PM and they told us at that point that they intended to rely upon source code. That's really when this issue arose with respect to the protective order because it was our position that they had already had their 30 days to look at the source code, it having been provided in July. So, 12:20PM they expressly in their correspondence at that point -- and that is in the record, the correspondence where you've got counsel corresponding back and forth about the inadequacy of their contentions and their representing that they want to look at source code.

12:20PM So, the thing that makes it even much more egregious, also in the record on the protective motion is a declaration from -- I believe it's from their own expert. I know their expert's declaration is in the record, whether it's on that motion or another motion. 12:21PM But their expert admits that he had seen and had access

to Nintendo source code until beyond 30 days before now. In other words, I think that even based on his representation of when he actually had access and actually reviewed the source code, their 30 days was up on that sometime in September.

12:21PM

And, so, what they have done is held those infringement contentions -- without filing a motion for leave or without serving them on Nintendo, they've held onto those. They've represented to the court today that they're almost ready to go but, yet, we have not seen them and we're now here at the Markman hearing. Expert discovery is starting promptly. So, we think it's far too late -- it's far too late for them to be moving for leave to amend infringement contentions.

12:21PM

THE COURT: Well, I'll just say that if they're going to amend, they need to do it promptly; and if they do it without an agreement, then they should file a motion and we'll resolve whether or not they're timely amendments.

12:22PM

MR. SIEBMAN: Thank you, your Honor.

THE COURT: All right. Let's take up the matter involving PixArt, I believe it is, the -- is that -- there is a motion.

MR. PIA: There's a motion to compel, I think is the last.

12:22PM

THE COURT: All right. And that's the plaintiff's motion?

MR. PIA: That's the plaintiff's motion.

THE COURT: I think there was some reference to a motion to quash. Is there --

12:23PM

MR. PIA: And there was a motion to quash filed in the Western District of Texas.

THE COURT: Which has been transferred here.

MR. PIA: Which was also transferred here. I think the briefing just completed on that.

12:23PM

THE COURT: Those two are the same issue?

MR. PIA: Maybe due on Monday. I can't remember.

They're on similar issues, overlapping issues. And we included that motion to quash as one of our exhibits.

12:23PM

THE COURT: Your motion to compel is asking the court to require Nintendo to produce what you are also seeking directly from PixArt? Is that --

MR. PIA: From Retro.

12:23PM

THE COURT: Retro. I'm sorry. Retro.

MR. PIA: Yes, in part. So, there are two things that we're seeking. We're seeking, No. 1, documents and, No. 2, oral testimony from Retro Studios.

THE COURT: And is Retro represented here

12:24PM

today?

MR. PIA: It is. Nintendo's counsel represents Retro -- Retro Studios is Nintendo's wholly-owned subsidiary, and they represent Retro.

12:24PM THE COURT: All right. Mr. Kinsel, are you prepared to address the motion to quash regarding Retro?

MR. KINSEL: We are prepared to address both. Yes, your Honor.

THE COURT: Well, let me hear from you, then, 12:24PM Mr. Kinsel, about that.

MR. KINSEL: Thank you, your Honor. I'm going to turn it over to Mr. Amborn, if that's all right.

THE COURT: Of course.

MR. AMBORN: I'm sorry, your Honor. I didn't 12:24PM catch that. Do you want to start with the motion to quash or both motions at the same time?

THE COURT: Well, I -- it's my rough understanding that the information that's at issue is very similar at least. Is that a fair understanding?

12:25PM MR. AMBORN: Yes, your Honor. They -- SyncPoint is moving to compel the testimony that Retro Studios previously moved to quash.

THE COURT: Okay. Well, then, why don't we take it up on your motion to quash.

12:25PM MR. AMBORN: Okay. So, starting with the

motion to quash, then, it's actually a fairly narrow issue. SyncPoint served a 30(b)(6) deposition notice on Retro Studios, and it stated three topics. Retro Studios then designated a witness to testify -- sorry. It stated
12:25PM four topics, and Retro Studios designated a witness to testify on three of those four topics. So, only the fourth topic is subject to the motion to quash at this point.

And that fourth topic is one that relates
12:26PM exclusively to technical information; and that technical information is highly detailed, including all of the source code for Nintendo's accused products and the source code for any Retro Studios' products that in any way interface with Nintendo's accused products. And, so,
12:26PM Retro has moved to quash that principally -- not because they will not provide such testimony but because it's improper to force a third party -- or I should say a nonparty -- like Retro Studios to provide that burdensome and expansive discovery before seeking such discovery
12:26PM from a party such as Nintendo. Nintendo is the proper party for SyncPoint to seek that discovery from.

But SyncPoint has said that it's unfair for them to have to go to Japan to depose Nintendo's witnesses. So, instead, they'd like to depose Retro
12:26PM Studios first; and that is not what the federal rules

allow. In fact, Rule 45, which is the basis for SyncPoint's subpoena, expressly says that undue burden is a ground that the court must quash the subpoena over; and the notes to the rules and substantial case law explain
12:27PM that one ground for undue burden is forcing a nonparty to provide discovery that's available from a party and not seeking that discovery from a party first.

THE COURT: So, it's Retro's position that all of the discovery being sought from Retro is available
12:27PM through Nintendo?

MR. AMBORN: Yes, your Honor, all of the discovery that is relevant to this case. So, there's some ambiguity in SyncPoint's discovery request. So, they principally -- Topic 4 talks about arguably two
12:27PM things. One, it clearly covers Nintendo's accused products. For instance, one of the subpoints to it says that Retro is supposed to provide testimony on all of the source code for all of the accused products. So, that clearly relates to Nintendo's products; and Nintendo's
12:27PM witnesses are prepared to testify on that and are really the proper witnesses to testify on that.

Additionally, SyncPoint's discovery request arguably applies -- or I would say clearly applies to Retro Studios' own products which are not accused of
12:28PM infringement in this case. They have not been mentioned

in the complaint; they have not been mentioned in SyncPoint's infringement contentions, despite the fact that as of the time that SyncPoint filed its infringement contentions, it was well aware of Retro Studios, as evidenced by a document that is cited in those contentions.

THE COURT: All right. Mr. Amborn, let me interrupt you now. I want to hear from them and see what our points of agreement are, and I'll give you a chance to respond.

MR. AMBORN: Thank you, your Honor.

THE COURT: Thank you.

Mr. Pia, do you agree that the information you're seeking from Retro would also be available from Nintendo?

MR. PIA: Some may, but certainly not all. We included, as a part of our motion to compel and opposition to the motion to quash, a copy of the deposition subpoena that we issued to Retro. This is Tab D on my binder. Let me see if that's what it was in the -- might have been Exhibit D. I think it was Exhibit D in SyncPoint's motion to compel.

And this Category 4 includes Subparts A through K. And the reason why it's difficult for SyncPoint to determine what the overlap is is because the

Retro Studios' games are developed exclusively for Nintendo and then Nintendo uses those in various products, including the accused Wii and Wii U products in this case.

12:30PM THE COURT: Well, why shouldn't you proceed first with your discovery from Nintendo and determine what, if any, further discovery you need from Retro?

MR. PIA: We have. We have. And at this point in time, the substantial close of fact discovery is 12:30PM December 15th; and Nintendo has produced about 80,000 pages of documents. We've reviewed all of that. Nintendo has also provided the source code, as we've talked about; and we've reviewed all of that. And now there are remaining topics for deposition that we still 12:30PM should have an opportunity to get from Retro because Retro's games practice the methods. They create the software that then generates commands on the hardware that --

THE COURT: And have you narrowed your 12:30PM discovery request to Retro to only the information that you can't get from Nintendo?

MR. PIA: We have -- we haven't touched the subpoena that we originally issued. We can narrow that request. What we don't -- the game has been -- that 12:31PM we've been involved in is the topics are too broad or the

topics are too relevant or the topics are irrelevant, the topics are off topic. So, we don't really want to get involved in all that.

I think what should happen is that Nintendo should designate -- it already has its own 30(b)(6) notices now. So, it can designate its witnesses to answer the 30(b)(6) topics that its own witnesses can answer to and then -- because it shares the same counsel and they're highly integrated. In fact, Nintendo, for the one -- the deposition we did have, they appointed their own patent attorney to speak on behalf of Retro with respect to some topics. Then Nintendo can identify which of these topics should be responded to by Retro.

But clearly, for example, Subparts I, J, and K of this Topic No. 4, "materials and resources for Retro's products and services related to the accused products or development for the accused products, such as guidebooks, manuals, APIs, SDKs, documentation, software tools, or development platforms" --

THE COURT: What exhibit are you looking at?

MR. PIA: I am looking at Exhibit D to SyncPoint's motion to compel, the subpoena.

THE COURT: All right.

MR. PIA: And I'm looking at Topic 4, Subparts I through K. Those certainly are Retro-specific.

There are others, such as B, "Retro's development of games and software that make use of data from the CMOS imaging array module in the Wii remote," that a Retro witness should be prepared to testify to. So, at least those.

12:33PM

And we're happy to issue another subpoena that we think is even more specific to Retro, but we don't want to -- we want to try to avoid being back here again on this same issue. We're simultaneously seeking the discovery from Nintendo and from Retro. We already know what Nintendo has. We plan to depose them.

12:33PM

THE COURT: All right. I'm still looking for your -- Exhibit D to Document 141?

MR. PIA: Exhibit D to Document 141.

12:33PM

THE COURT: It's a 28-page document.

MR. PIA: Let me just make sure that's right.

THE COURT: That appears to be the subpoena to Retro.

MR. PIA: That's right. Then it is the correct document.

12:34PM

And at the end of the subpoena -- I believe it's the last page -- are the topics. The other information is -- includes definitions and general process and procedure.

12:34PM

But then we get to page ID 2362, is what I'm

showing. I think it's the last page.

THE COURT: There's a protective order attached to it as Exhibit A1?

MR. PIA: Let's see here. That's actually the document subpoena.

12:34PM

I think I led the court astray on accident. It's Exhibit G. I'm sorry.

So, there's a document subpoena; and there is a deposition subpoena. Exhibit G is the deposition subpoena.

12:35PM

THE COURT: All right. And that's the deposition subpoena for Retro?

MR. PIA: That's right.

THE COURT: And it is the fourth topic that the parties are disagreeing about?

12:35PM

MR. PIA: That's right, which is the technical -- it's the meat of the topics. The previous topics are more venue related. I'd have to say all of these are really venue related if you think about it because the location of technical information that goes to infringement is important for venue.

12:36PM

But Topic 4 is what's disputed. Topic 4, Nintendo would not provide a witness for -- Retro would not provide a witness for.

THE COURT: All right. Thank you. Let me

12:36PM

hear from Mr. Amborn again about Topic 4.

MR. AMBORN: Your Honor, first I'd just like to acknowledge something that Mr. Pia said. You know, we agree that they did not want to engage in a discussion with us about our objections to their discovery. In fact, that's really the problem underlying all of these discovery disputes. So, I think that his statement that that was something that they just didn't want to deal with was very telling and significant.

12:36PM But specifically on Topic 4, Mr. Pia made another interesting admission. He said that some of this information is in fact available from Nintendo and should be provided by Nintendo. The problem with that statement is that SyncPoint knew that this information was not only 12:37PM available from Nintendo but had been provided by Nintendo when it served this discovery and the document subpoena that it served on Retro as well. And, yet, it has continued to object that Retro has not provided duplicative discovery of what Nintendo has already 12:37PM provided.

THE COURT: And this is a 30(b)(6) notice.

MR. AMBORN: That's correct.

THE COURT: Not a document production notice. So --

12:37PM MR. AMBORN: Yes, your Honor. I apologize. I

was speaking about a related document production subpoena that they also -- Mr. Pia was discussing.

With respect to this 30(b)(6) deposition notice, Mr. Pia said that a number of these topics, like K, are clearly directed to Retro and Retro's products. There are two issues there.

12:37PM

First of all, we disagree with that. If you look at Subtopic K, it says that the deponent is to provide testimony on the source code for the accused products.

12:38PM

THE COURT: Well, are there subtopics that you are agreeable to providing a witness on?

MR. AMBORN: Your Honor, Retro's position is twofold on that topic. One, again, they need to depose Nintendo on Nintendo topics; and, two, to the extent there are topics here that do not relate to Nintendo that Nintendo cannot provide testimony on, they aren't relevant to this case.

12:38PM

THE COURT: So, I guess my question is: Are there topics here that you do agree to provide a witness on?

12:38PM

MR. AMBORN: At this point in time, no, your Honor. Again, Retro's position is that to the extent there is anything relevant here, the relevant information is requests related to Nintendo's products. If after

12:38PM

Retro -- or sorry -- if after SyncPoint deposes Nintendo's witnesses regarding Nintendo's products it concludes that there is some aspect of Nintendo's products that Nintendo could not provide adequate testimony on, then yes, Retro would be willing to provide a witness to testify to the extent it had relevant information. But there are many aspects of this subpoena that are irrelevant to this case.

12:39PM

THE COURT: You have given, you know, them a big target to shoot at. You're saying there's nothing in Topic 4 that you believe is proper discovery; so, that's fine. I'll just -- if they show me there is, then I'll go from there; but that's --

12:39PM

MR. AMBORN: No, no, that -- we're not...

12:39PM

Your Honor, I'm sorry. I was speaking with my co-counsel.

That's not what we're saying. What we're saying is not that we will not -- that Retro Studios will not provide testimony on any of those topics. Some of these topics are most certainly relevant to this case, but those topics that are relevant or those aspects of these topics that are relevant to this case are all topics that are more appropriately addressed to Nintendo. So, to the extent that SyncPoint first takes the depositions of Nintendo -- which, by the way, they just

12:39PM

noticed technical witnesses from Nintendo for the very first time this week in a case where discovery has been proceeding for many months. They have not yet noticed the depositions of any of Nintendo's technical witnesses until this week, despite the fact that they noticed Retro for these topics many months ago.

So, Retro's position is that if SyncPoint deposes Nintendo first on the relevant topics and if SyncPoint concludes that Nintendo was somehow unable to provide all relevant information, then Retro will happily sit for a deposition on whatever is left.

THE COURT: Okay. Well, I -- I'm not going to say that Retro has no obligation to provide discovery until after Nintendo's discovery has been completed. So, what's your next position?

MR. AMBORN: Well, and, your Honor, to be clear here, Retro has provided discovery in this case. Retro has provided, as I said, a witness to testify on the first three topics already; and those topics are ones that Retro believed were --

THE COURT: Has that deposition occurred?

MR. AMBORN: Yes. That deposition occurred the day before this deposition was scheduled to occur. That deposition occurred on August 31st.

THE COURT: And you say this deposition was

scheduled to occur the next day?

MR. AMBORN: It was.

THE COURT: And why did it not?

MR. AMBORN: It did not because Retro moved to quash this deposition -- which, by the way, was noticed about 7 days prior to the scheduled date -- specifically Topic 4. Retro noticed -- or provided a witness to testify on Topics 1, 2, and 3. Topic 4, because it covers extensive, highly technical, highly confidential, detailed information that frankly would be impossible to prepare for on 7 days' notice, Retro moved to quash that subpoena because SyncPoint would not --

THE COURT: Okay. Well, we've resolved the notice. You've had a lot more than seven days now. The fact that it's highly confidential can be handled by the protective order.

I am -- I am sympathetic to the argument that it should be tailored, but I'm not sympathetic to the argument that they have to jump through the hoop of finishing their discovery from Nintendo. I mean, after all, you're proposing that they go through that and then if they still think they want it, they can come to you. Well, I expect they're still going to think they want it.

MR. AMBORN: Well, your Honor, if SyncPoint will tailor their discovery to topics that are specific

to Retro and relevant to this case, Retro would provide a witness to testify on that.

THE COURT: Okay. Well, let's talk about that.

12:42PM I tell you what, why don't you gentlemen confer on that, see if you can reach agreement on any of these points; and we'll come back and take this back up at 1:30.

MR. AMBORN: Okay. Thank you, your Honor.

12:43PM THE COURT: Thank you. And we're in recess.

(Recess, 12:43 p.m. to 1:46 p.m.)

THE COURT: Good afternoon. Please be seated.

Mr. Pia.

MR. PIA: We came to an agreement on how to

01:46PM handle the motion to compel and the motion to quash.

THE COURT: All right.

MR. PIA: And specifically what we agreed to is that the -- that Retro Studios will provide to us source code for the game Metroid Prime 3 and related

01:46PM technical documents and then a witness to testify -- a 30(b)(6) witness to testify as to that information as well as how Nintendo collaborates with Retro Studios on this game.

And then we would reserve our right for

01:46PM additional discovery at that time, but this would get us

through the pending motions.

THE COURT: And can you identify that game for me one more time?

MR. PIA: It's Metroid, M-E-T-R-O-I-D, Prime 3.

01:47PM

THE COURT: Okay. All right. Thank you.

Mr. Kinsel?

MR. KINSEL: Yes, your Honor. We do have that agreement. So, we're there. Just a couple of fine housekeeping notes on that.

01:47PM

No. 1, we tend to view this production as unrelated to the question of 3-1(g) compliance. So, in other words, our production -- Retro's production of this source code, from our point of view, shouldn't be viewed as a get-out-of-jail-free card on infringing infringement -- amending infringement contentions beyond the 3-1(g) deadline that Mr. Siebman discussed and that I suppose will come up in a motion for leave to amend those infringement contentions. But I just didn't want the record to be silent that we were somehow acceding that Retro's production of those materials would ameliorate that issue.

01:47PM

01:48PM

THE COURT: All right. I don't interpret this as waiving your position on that.

MR. KINSEL: Thank you, your Honor.

01:48PM

THE COURT: All right. Then I think we have accomplished what we need for this afternoon. I will get a ruling out on the issues that we argued earlier as well as on the claim construction as soon as possible. And I thank you for your participation today.

01:48PM

We're adjourned.

(Proceedings adjourned, 1:48 p.m.)

COURT REPORTER'S CERTIFICATION

I HEREBY CERTIFY THAT ON THIS DATE, NOVEMBER 6, 2015, THE FOREGOING IS A CORRECT TRANSCRIPT FROM THE RECORD OF PROCEEDINGS.

/s/
TONYA JACKSON, RPR-CRR